Annual Report 2017

SOFTRONIC

INFORMATION FOR THE SHAREHOLDERS

2018 ANNUAL GENERAL MEETING FOR SOFTRONIC AB (PUBL), CIN 556249-0192

The Annual General Meeting will be held at 5:30 p.m. on Thursday 3 May 2018, at our premises at Hammarby Kaj 10A, Stockholm.

Specific notice will be given no earlier than six weeks and no later than four weeks prior to the meeting. In order to participate in the Annual General Meeting, the shareholder must a) be registered in the shareholders' register held by Euroclear Sweden AB by 26 April 2018 at the latest, and b) notify the company of his/her intention to participate, by either going to the address Softronic AB (publ) Hammarby Kaj 10A, 120 32 Stockholm, telephoning +46(0)8 51 90 90 00 or sending an e-mail to bolagsstamma@softronic.se by 27 April 2018 at the latest. Any shareholders who have registered their shares through the bank's notary department or other nominee must temporarily register the shares with Euroclear Sweden AB in their own name in well before 26 April 2018, in order to be permitted to participate in the meeting.

PROPOSED APPROPRIATION OF PROFITS
A dividend of SEK 0.75 per share has been proposed. Should the Meeting adopt the proposal for the dividends, the preliminary record date is 7 May 2018, with estimated disbursement on 11 May.

REPORTS AND FINANCIAL INFORMATION 2018
Interim Report (Jan-March), 3 May
Interim Report (Apr-June), 15 August
Interim Report (July-Sept), 25 October

ORDER INFORMATION
Reports and financial information are published on Softronic's website, www.softronic.se, where you can also download the annual report as a PDF.

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2017 Directors' Report

The Board of Directors and the Chief Executive Officer of Softronic AB (publ), CIN 556249-0192, hereby submit the annual report for the 2017 financial year.

Significant events and activities
Softronic is the parent company of a Group that has 38 subsidiaries, most of which are sub-consultants of Softronic AB (the Group structure appears in Note 9), working with IT and management. The Group's services range from advice and new development to administration and operations. Its customers are primarily medium and large Swedish companies and organisations.

The following events have occurred in the past year:
Kommunal and Softronic signed a 3-year agreement with the option of a 2-year extension. This covers the following services: technical operation, application management, workplace service, service desk, IT security solutions and related processes and procedures. Softronic signed an agreement for the delivery of the membership system MRM with the trade union Ledarna – the organisation for managers in Sweden. In the first quarter Softronic moved its headquarters in Stockholm to newly built premises in Hammarby Sjöstad.

Personnel and external factors
The Group had on average 448 (458) employees in 2017. Employee turnover and salary development in the industry are high, but there has been somewhat of a slow-down. With skilled, competitive personnel as the Group's most important resource, the goal is to increase recruitment and continuously develop skills.

Environmental work and R&D
Softronic works on an ongoing basis with environmental issues related to both its work environment and its external environment. The company does not conduct business activities that require a licence. Softronic works continuously with the development of methods and products.

Sustainability reporting
Softronic's 2017 Sustainability Report is available as a separate document on the website.

Future development
Softronic has the clear goal of being one of the best listed IT consultancy firms in terms of both growth and profitability.

The long-term goal is to achieve a 5-7% increase in employees and sales growth of a minimum of 10%, of which at least half should be organic. Growth should always be profitable. Softronic is almost meeting its growth targets, although this growth has been organic. The long-term target for the profit margin in the core business areas of outsourcing assignments and cloud services is that it should be higher than 15 per cent, while the target for the margin in other business, such as resource consultancy sales and re-selling, is higher than 5 per cent.
This means that the target margin for the Group as a whole is higher than 10 per cent with today's mix of customers and business. In 2017 this target was met. If the market remains good, it will be possible to meet and exceed this target.

Softronic has a policy not to make any forecasts.

Risks and uncertainties
The risks and uncertainties that the Parent Company and the Group may face are primarily related to changes in employee capacity utilisation, average invoicing, employee turnover and salary costs, which all have a decisive effect on profitability. For financial risks, see Note 15. There are also uncertainties related to assessments of the economy, changes to the market and competition. For a description of internal control and other corporate governance, see the Corporate Governance Report on page 24.

Debt/equity
The Group had no interest-bearing liabilities as of 31 December 2017, and with very good liquidity and good cash flow there is little risk of any loans being required. The Group has established a goal to only raise loans if required when making acquisitions. The Group's financial risks are very low. The Group has no specific currency exchange exposure or complex financial instruments with risk.

Sales and profit/loss
Group operations are wide-ranging and are reported as one business segment; see Note 16.

Turnover for the Group in 2017 amounted to MSEK 657 (MSEK 615), the majority of which took place in Sweden.
Net turnover per employee amounted to MSEK 1.5 (MSEK 1.3).
Sales of consultancy services amounted to 79% (79%) of turnover. Other sales, 21% (21%), consist of licenses and goods, plus goods and services invoiced to third parties. The Group's expenses before depreciation and amortisation and capitalised development costs amounted to MSEK 581 (MSEK 563). Personnel costs amounted to MSEK 339 (MSEK 333). Operating profit/loss before depreciation and amortisation, EBITDA, for 2017 amounted to MSEK 75.5 (MSEK 50.0).

	2017	2016	2015	2014	2,013
Income, MSEK	657.0	614.7	601.9	539.4	551.9
EBITDA, MSEK	75.5	50.0	46.5	31.9	42.2
Profit/loss before tax, MSEK	67.0	42.2	38.6	25.4	34.2
Profit margin, %	10.2	6.9	6.4	4.7	6.2
Balance sheet total, MSEK	387	358	348	332	337
Equity, MSEK	258	233	226	220	225
Liquidity	2.1	1.9	1.9	1.9	1.9
Equity/assets ratio, %	67	65	65	66	67
Avg. no. of employees	448	458	476	482	476

Parent Company
The Parent Company's turnover (through subsidiaries as sub-consultants) amounted to MSEK 664 (MSEK 632) and the operating profit for the year amounted to MSEK 10 (MSEK 10). Total cash flow in the Parent Company amounted to MSEK 26 (MSEK 9). Softronic AB is listed on NASDAQ OMX Stockholm.

Financial position and investments
A dividend of SEK 0.50 per share was issued in 2017, reducing the cash available by MSEK 26.3.
The Group's cash and cash equivalents amounted to MSEK 88 (MSEK 62).
The total liquidity as of 31 December 2017, including unutilised credit lines, amounted to MSEK 111 (MSEK 85).
Total cash flow in the Group in 2017 amounted to MSEK 25 (MSEK 5). Cash flow from operating activities amounted to MSEK 57 (MSEK 43). Investment activities provided a cash flow of MSEK -5 (MSEK -12). Cash flow from financing operations amounted to MSEK -26 (MSEK -26). Asset items goodwill, other

intangible assets and deferred tax asset/liability amount to MSEK 113 (MSEK 118). This corresponds to 44% (48%) of equity.

The work of the Board of Directors

At the Annual General Meeting in May 2017, six Board members were re-elected. The Board of Directors also includes two employee representatives nominated by the members of the trade union club. The work of the Board of Directors also requires the involvement of the COO and the CFO and, in certain cases, Business Area Managers. Eight Board meetings were held in 2017 and all members elected at the Annual General Meeting participated in all of the meetings. Over the year, the Board has discussed strategic issues with regard to the organisation and business acquisitions. The rules of procedure for the Board, together with instructions for the division of work between the Board and the Chief Executive Officer, are established in advance by the Board for one year at a time, starting and ending with the Annual General Meeting. The company has a nomination committee that consists of four people. The nomination committee should serve as a channel through which individual shareholders can communicate their proposals for the composition of the Board and ensure that these proposals are taken into consideration well in advance of the Annual General Meeting.

Remuneration to senior executives

The company also has a remuneration committee, consisting of the Chair of the Board and an external ordinary Board member. The responsibility of the remuneration committee is to prepare well thought-out contracts with the Chief Executive Officer and other senior executives. According to the decision at the latest annual general meeting, similar to the board's proposal for the next meeting, the guidelines for remuneration to senior executives state that all remuneration (basic salary, variable salary, pension and other benefits) must be competitive and allow qualified senior executives to be recruited and retained. No additional benefits are offered and no senior executives have stock options or convertible bonds from the company. The Board has the right to deviate from the guidelines in individual cases if special grounds exist. Variable pay is always related to quantitative targets. The Chief Executive Officer's pension is a defined contribution plan. The general ITP pension plan or individual solutions at equivalent levels apply to other personnel. The notice period for the Chief Executive Officer is 18 months and between 3 and 12 months for other personnel. The company's elected Board members should be able to be remunerated on market terms for services within their respective areas of expertise not covered under Board work.

Largest owners

The three largest owners in terms of percentage of votes and capital are Anders Eriksson & family & companies (33.8% of the votes and 21.3% of the capital), AB Traction (20.3% of the votes and 21.9% of the capital) and Stig Martín & companies (14.8% of the votes and 8.1% of the capital). A list of the ten largest owners is available in the Corporate Governance Report.

Authorisation from Annual General Meeting

The 2017 Annual General Meeting renewed the Board's authorisation to decide on the acquisition of up to 10% of the company's shares, plus its authorisation to decide on the issue of new shares equivalent to 10% of the share capital.

Share pre-emption right

In accordance with the Articles of Association, any A shares transferred to an individual who was not previously an A shareholder in the company will promptly be offered to owners of Class A shares for redemption via written notice to the company's Board. Acquisition of the shares must be verified and details must also be provided about the purchase price when ownership has been transferred through purchase. Further information on the pre-emption clause is available in the Articles of Association, which are published on the company website. Other than that set out in the Articles of Association, the company knows of no agreements or contracts between shareholders that could result in any limitations on transferring shares. In Softronic's Articles of Association, there is no limit to how many votes each shareholder may cast.

Nomination committee

Carl Östring, Traction, Chair of the nomination committee
Andreas Eriksson, represents Anders Eriksson and related parties
Evert Carlsson, Swedbank Robur Fonder AB
Stig Martín, Board member, own holdings

Remuneration committee

Petter Stillström, Chair
Stig Martín, Board member

Proposed appropriation of profits, Note 23

The following amounts are at the disposal of the Annual General Meeting (SEK):

Profit carried forward	93,277,321
Share premium reserve	27,429,316
Profit/loss for the year	1,500,223
	122,206,860

The Board and the Chief Executive Officer propose the following appropriation (SEK):

Dividends (52,632,803 shares at SEK 0.75 each)	39,474,602
Brought forward	82,732,258
	122,206,860

The Group's accumulated profit attributable to the Parent Company shareholders amounts to TSEK 193,044 (TSEK 167,582).

Proposed dividend

The Board of Directors has decided to propose a dividend of SEK 0.75 per share to the Annual General Meeting. The dividend will be MSEK 39.5. The basis for the Board's decision is the dividend policy, which takes into consideration the Group's future liquidity requirements and investment ability. The company's high liquidity and low indebtedness justify the amount of the dividend. See the dividend policy in Note 23.

Approval by the Board of Directors

The financial statements were authorised for publication by Softronic AB's Board on 31/03/2018.

Statement of comprehensive income

1 January-31 December
GROUP

TSEK	NOTE	2017	2016
Revenue	16	656,999	614,692
Operating expenses			
Goods for resale and other invoiced expenses	22	-188,343	-178,037
Other external expenses	1, 2	-54,515	-53,526
Personnel costs	3	-338,598	-333,105
Capitalised product development costs	7	-	-
Depreciation/amortisation/impairment	7, 8	-8,907	-8,485
Operating profit/loss		**66,636**	**41,539**
Interest income and similar profit/loss items	4	428	719
Interest expenses and similar profit/loss items		-85	-40
Net financial income/expense		**343**	**679**
Profit/loss before tax		**66,979**	**42,218**
Tax	5	-15,206	-9,254
PROFIT/LOSS FOR THE PERIOD		**51,773**	**32,964**
Other comprehensive income			
Items that will be reclassified to profit/loss for the period			
Translation differences		5	-35
COMPREHENSIVE INCOME FOR THE PERIOD		**51,778**	**32,929**
Profit/loss for the period attributable to the Parent Company shareholders		51,773	32,964
Comprehensive income for the period attributable to the Parent Company shareholders		51,778	32,929
Profit/loss for the period per share attributable to the Parent Company shareholders before and after dilution, SEK	6	0.98	0.63

Profit and loss statement

1 January-31 December
PARENT COMPANY

TSEK	NOTE	2017	2016
Operating income			
Net sales	16	664,153	632,030
Operating expenses			
Goods for resale and other invoiced expenses	22	-561,779	-540,384
Other external expenses	1, 2	-52,217	-51,251
Personnel costs	3	-33,476	-24,563
Depreciation/amortisation/impairment	7, 8	-7,267	-6,085
Operating profit/loss		**9,414**	**9,747**
Result from financial investments			
Interest income and similar profit/loss items	4	358	668
Interest expenses and similar profit/loss items		-84	-818
Profit/loss before appropriations		**9,688**	**9,597**
Appropriations			
Group contributions paid		-95,013	-25,286
Group contributions received		102,397	55,765
Profit/loss before tax		**17,072**	**40,076**
Tax on profit/loss for the year	5	-15,572	-8,774
PROFIT/LOSS FOR THE YEAR		**1,500**	**31,302**

The profit/loss for the year for the Parent Company is in line with the comprehensive income.

Consolidated Balance Sheet

31 December

TSEK	NOTE	2017	2016
ASSETS			
FIXED ASSETS			
Intangible assets	7	114,661	119,782
Property, plant and equipment	8	11,348	10,767
Deferred tax asset	5	-	-
TOTAL FIXED ASSETS		**126,009**	**130,549**
CURRENT ASSETS			
Inventories		162	547
Accounts receivable	15	104,817	85,792
Tax assets		5,617	12,353
Other receivables		6,798	4,721
Prepaid expenses and accrued income	10	56,371	61,270
Cash and cash equivalents	14	87,692	62,274
TOTAL CURRENT ASSETS		**261,457**	**226,957**
TOTAL ASSETS		**387,466**	**357,506**
EQUITY AND LIABILITIES			
Equity attributable to the Parent Company shareholders			
Share capital		21,053	21,053
Other contributed capital		44,004	44,004
Profit/loss brought forward and profit/loss for the year		193,044	167,582
Total equity attributable to the Parent Company shareholders		258,101	232,639
TOTAL EQUITY		**258,101**	**232,639**
LONG-TERM LIABILITIES			
Deferred tax liabilities	5	1,893	2,271
Other provisions	17	-	682
TOTAL LONG-TERM LIABILITIES		**1,893**	**2,953**
CURRENT LIABILITIES			
Accounts payable		37,190	37,729
Other liabilities		28,119	22,981
Accrued expenses and deferred income	11	62,163	61,204
TOTAL CURRENT LIABILITIES		**127,472**	**121,914**
TOTAL EQUITY AND LIABILITIES		**387,466**	**357,506**

Parent Company Balance Sheet

31 December

TSEK	NOTE	2017	2016
ASSETS			
FIXED ASSETS			
Intangible assets			
Goodwill	7	72	219
Customer base	7	1,668	5,002
Software	7	-	-
Property, plant and equipment			
Equipment	8	11,041	10,460
Financial assets			
Shares in Group companies	9	194,594	194,594
TOTAL FIXED ASSETS		**207,375**	**210,275**
CURRENT ASSETS			
Inventories			
Goods for resale		162	547
Current receivables			
Accounts receivable	15	102,595	84,397
Tax assets		-	3,172
Other receivables		2,777	73
Prepaid expenses and accrued income	10	56,589	61,052
TOTAL CURRENT RECEIVABLES		**161,961**	**148,694**
Cash and bank balances	14	85,851	60,337
TOTAL CURRENT ASSETS		**247,974**	**209,578**
TOTAL ASSETS		**455,349**	**419,853**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital (52,632,803 shares, quota value 0.40)		21,053	21,053
Statutory reserve		1,846	1,846
Total restricted equity		**22,899**	**22,899**
Non-restricted equity			
Profit brought forward		93,278	88,292
Share premium reserve		27,429	27,429
Profit/loss for the year		1,500	31,302
Total non-restricted equity		**122,207**	**147,023**
TOTAL EQUITY		**145,106**	**169,922**
LONG-TERM LIABILITIES			
Other provisions	17	-	682
TOTAL LONG-TERM LIABILITIES		**0**	**682**
CURRENT LIABILITIES			
Accounts payable		36,756	37,395
Liabilities to Group companies		225,259	169,266
Tax liabilities		4,101	-
Other liabilities		4,442	2,706
Accrued expenses and deferred income	11	39,685	39,882
TOTAL CURRENT LIABILITIES		**310,243**	**249,249**
TOTAL EQUITY AND LIABILITIES		**455,349**	**419,853**

Equity

GROUP

TSEK	Share capital	Other contributed capital	Profit brought forward and profit/loss for the year	Total equity
Equity at 01/01/2016	**21,053**	**44,004**	**160,969**	**226,026**
Comprehensive income for the period			32,929	32,929
Dividends			-26,316	-26,316
Equity at 31/12/2016	**21,053**	**44,004**	**167,582**	**232,639**
Comprehensive income for the period			51,778	51,778
Dividends			-26,316	-26,316
Equity at 31/12/2017	**21,053**	**44,004**	**193,044**	**258,101**

Profit carried forward includes translation differences of TSEK 320 (TSEK 315).

PARENT COMPANY

TSEK	Share capital	Statutory reserve	Share premium reserve	Profit/loss brought forward and profit/ loss for the year	Total equity
Equity at 01/01/2016	**21,053**	**1,846**	**27,429**	**114,608**	**164,936**
Profit/loss for the year				31,302	31,302
Dividends				-26,316	-26,316
Equity at 31/12/2016	**21,053**	**1,846**	**27,429**	**119,594**	**169,922**
Profit/loss for the year				1,500	1,500
Dividends				-26,316	-26,316
Equity at 31/12/2017	**21,053**	**1,846**	**27,429**	**94,778**	**145,106**

Cash flow statement

1 January-31 December

TSEK	NOTE	GROUP 2017	GROUP 2016	PARENT COMPANY 2017	PARENT COMPANY 2016
Operating activities					
Profit/loss before tax		66,979	42,218	17,072	40,076
Adjustment for non-cash items	12	8,823	8,002	-206	-24,842
		75,802	**50,220**	**16,866**	**15,234**
Income tax paid		-8,848	-5,050	-8,299	-3,646
Cash flow from operating activities before changes in working capital		**66,954**	**45,170**	**8,567**	**11,588**
Changes in working capital					
Change in inventories		385	-254	385	-254
Change in current receivables		-16,203	-4,474	85,958	49,021
Change in current liabilities		5,558	2,106	-38,120	-11,930
Cash flow from operating activities		**56,694**	**42,548**	**56,790**	**48,425**
Investment activities					
Business combinations	13	-593	-2,676	-593	-3,602
Capitalised product development cost	7	-	-	-	-
Acquisition of property, plant and equipment	8	-4,367	-8,927	-4,367	-8,927
Cash flow from investing activities		**-4,960**	**-11,603**	**-4,960**	**-12,529**
Financing activities					
Dividends paid		-26,316	-26,316	-26,316	-26,316
Cash flow from financing activities		**-26,316**	**-26,316**	**-26,316**	**-26,316**
Cash flow for the year		**25,418**	**4,629**	**25,514**	**9,580**
Cash and cash equivalents at the beginning of the year		62,274	57,645	60,337	50,757
Exchange rate differences in cash and cash equivalents		-	-	-	-
Cash and cash equivalents at the end of the year	14	**87,692**	**62,274**	**85,851**	**60,337**

Interest paid affecting cash flow	GROUP 2017	GROUP 2016	PARENT COMPANY 2017	PARENT COMPANY 2016
Interest expenses paid	18	47	17	40
Interest income received	284	258	268	218

Accounting and measurement principles

Softronic's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), and an interpretation from the International Financial Reporting Committee (IFRIC) that has been approved by the EC Commission for application within the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 'Supplementary Accounting Rules for Groups' has also been applied. The Parent Company applies the Swedish Annual Accounts Act and RFR 2. This means that in all material respects, the same accounting principles are applied in the Parent Company and in the Group.

Amended accounting principles in 2017

No new or amended standards or interpretations have been applied from 2017 that have had any material impact on the Group's financial statements.

Future changes to accounting principles (issued standards and interpretations not yet in force)

A number of new or amended IFRS will come into force in the coming financial year; however, Softronic has chosen not to apply any of these standards in advance. No plans have been made to implement new items or amendments in advance that will become applicable from the financial year 2018. New or amended IFRS that will become applicable from 2018 are not considered to have any significant effect on the financial statements. IFRS 16 Leases will replace IAS 17 Leases and related interpretations IFRIC 4, SIC-15 and SIC-27. This standard means that assets and liabilities relating to all leases, with some exceptions, are recognised in the balance sheet. This standard applies to financial years beginning on 1 January 2019 or later. IFRS 16 does not affect the Group's financial statements, except for reallocation within the financial statements and a higher balance sheet total, with different performance measures as a result, for example, the solvency measure. A detailed transition method for IFRS 16 has not yet been established, except for a general method for defining the leases that exist and recalculating them in accordance with IFRS 16, and for using the forward-looking method, which means that historic recalculations are not required. An overall quantification of the effects has been carried out, which has shown that the effect is only through reallocations within the statements and that there is no impact on the results.
IFRS 15 Revenue from contracts with customers replaces IAS 18 Revenue and IAS 11 Construction Contracts and all related interpretations (IFRIC and SIC). Revenue is recognised when the customer obtains control over the goods or services sold, replacing the previous principle that revenue is recognised when the risks and benefits have been transferred to the buyer. The basic principle of IFRS 15 is that a company recognises revenue in the way that best reflects the transfer of the promised goods or services to the customer. Distinct goods or services in integrated contracts must be recognised as separate undertakings and, as a general rule, any discounts are to be distributed between the separate units. IFRS 15 becomes effective on 1 January 2018. IFRS 15 does not have a material impact on the Group's financial statements and there are no transition problems or effects from this. No special transition method is required for IFRS 15. IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement. This new standard includes new bases for the classification and measurement of financial instruments, a forward-looking impairment model and simplified criteria for hedge accounting. IFRS 9 becomes effective on 1 January 2018. IFRS 9 does not have a material impact on the financial statements and there are no transition problems or effects from this, and no need to select a transition method.

Basis for preparing the accounts

The accounts are based on historical cost with the exception of additional considerations, which are valued at fair value through the profit and loss statement.

Use of estimates

The preparation of financial statements in accordance with IFRS requires the company to make estimates and assumptions about the future. These estimates and assumptions affect the reported amounts for assets and liabilities, income and expenses, plus information about contingent assets and contingent liabilities. The estimates are made on an ongoing basis and are based on historical experiences and expectations of future events that are considered to be reasonable under current circumstances. Even if these are made based on the company's best knowledge of current events and actions, the actual result may differ from the estimates. The estimates are made, for example, for impairment analyses (see Note 7 and below under "Intangible assets" for the assessment of intangible assets, and below under "Property, plant and equipment"), the rates of completion of projects and reporting of other income (see below under "Revenue recognition"), valuations of loss assignments (see below under "Revenue recognition"), assessment of customer losses (see Note 15) and valuations of deferred tax assets (see Note 5).

Consolidated financial statements

The consolidated financial statements include the Parent Company, Softronic AB (publ), and its subsidiaries. A subsidiary is included in the consolidated financial statements from the date when the Parent Company has a controlling influence over the company, and is no longer included from the date when the Parent Company's controlling influence over the company ceases. Controlling influence refers to the right to form a company's financial and operative strategies, which can normally be assumed if a company directly or indirectly owns more than 50% of the votes. The consolidated financial statements have been prepared in accordance with the acquisition method. The acquisition method means that goodwill is created when the cost exceeds the fair value of the Group's share in the acquired subsidiary's net assets at the time of acquisition. If the eventual additional consideration has been agreed, it is included in the acquisition analysis if the amount can be estimated reliably. The effects of the remeasurement of the liability related to conditional consideration are reported in profit/loss for the period. Transaction costs are expensed in the consolidated accounts. For acquisitions that entail less than 100% ownership but where there is a controlling influence, the minority share is determined as either a proportionate share of the fair value of identifiable net assets excluding goodwill or fair value. Internal Group transactions are eliminated in the consolidated financial statements.

Translation of foreign subsidiaries

Foreign business is translated using the current method, where all assets and liabilities are calculated at the closing rate of exchange. All items in the profit and loss statement are calculated at the average exchange rate. Translation differences are reported under Comprehensive income. In the event of future disposal of foreign business operations, the translation differences will be transferred to the profit and loss statement.

Receivables and liabilities in foreign currency
Transactions in foreign currency are calculated at the rate applicable on the day of the transaction. Financial assets and liabilities expressed in foreign currencies are reported in the balance sheet, calculated at the rate applicable at the closing rate of exchange. Realised and unrealised exchange rate differences are reported in the profit and loss statement. There is no forward cover.

Revenue recognition
Income is reported to the extent that it is likely that the financial advantages will benefit the Group and income can be reliably calculated.
Provisions are made for loss risks. The following specific criteria must also be met before income is reported:

SALE OF SERVICES
Consultancy services are primarily billed on an ongoing basis, whereby income is reported at the same time as the work is done. Work done at a fixed price is reported based on the degree of completion (successive income recognition). The degree of completion is calculated as the number of work hours completed in relation to the total number of work hours estimated for each individual agreement. Work completed but not invoiced is reported as accrued income. If the invoiced amount exceeds the value of accrued income, the difference is reported as deferred income. Fixed-price work that is expected to incur a loss is offset directly, with the entire loss recognised in the period in which it can be established.
For composite services that contain different components, for example, systems development, goods and licences, where the payment flows are continuous during the agreement period, these components are recognised individually where possible, and are recognised as income when the control and ownership of each component has been transferred to the purchaser.

SALE OF GOODS
Income is reported when control of the goods has transferred to the buyer and when the significant risks and advantages connected with ownership of the goods is transferred to the purchaser and when the amount of income can be reliably calculated.

SALE OF LICENCES
Income from the sale of licences is allocated using the straight-line approach over the entire licence period as the obligation is undertaken. Where there is no obligation and the control has transferred to the purchaser, the income is booked in the same period as the cost.

INTEREST
Interest income is reported using the effective interest method.

Segment reporting
The Group's operations are considered to be a single business segment. In conjunction with the initial application of IFRS 8 in the 2009 annual report, a thorough review was completed of the standard's definition of "business segment". The result of this review has thereafter been updated on an annual basis taking into consideration whether new or modified events or relationships required a reassessment. The Group's operations target Swedish customers, which means that most of the sales are in Sweden. The reason that more business segments have not been identified is because the business is run, managed, reported and viewed as one segment. The business is moving towards the bundling of services, which means that it is becoming increasingly difficult to separately identify and analyse individual components. Internal pricing between Group companies is set at market price.

Tax
Current tax is based on each company's taxable income. Deferred tax reflects the tax effect of the difference between the values stated in the accounts and the fiscal values, plus the value of unutilised fiscal deficit. The carrying amount of deferred tax assets is tested on every balance sheet date and reduced to the extent it is no longer likely that sufficiently large taxable profit will be available in order to utilise the whole or part of the deferred tax assets.

Borrowing costs
Borrowing costs are charged against the profit for the period to which they refer. Within the Group, there are no "qualifying assets" for which interest expense is included in cost.

Inventories
Inventories are valued at the lowest of cost and fair value (net realisable value).

Property, plant and equipment
Property, plant and equipment are reported at cost, with deductions for accumulated depreciation and any impairment. Straight-line depreciation is applied over the useful life of the asset, which for plant and machinery is 3-5 years with regard to residual value.
The carrying amount for tangible assets is tested in respect of any impairment requirement when events or changed circumstances indicate that the carrying amount may not be recoverable. If the carrying amount exceeds the recoverable amount, an impairment loss is recorded in the profit and loss statement.

Research and development costs
Research costs are expensed as they are incurred. The development of software and rights are primarily connected to customer assignments, whereby expensing occurs in conjunction with the assignment being recognised as revenue. Self-financed development is capitalised and is subject to depreciation if it is a sizeable amount and considered to lead to future income or reduction in costs. For the parent company, the costs of research and development are expensed as they are incurred.

Intangible assets
Intangible assets are reported at cost, with deductions for accumulated amortisation and any impairment. Straight-line depreciation is applied over the useful life of the asset, which for the customer base and software is 5 years. Goodwill is not amortised by the Group. For the parent company, goodwill is amortised on a straight-line basis over a period of 5 years. The value of intangible assets that are not subject to amortisation is tested annually in respect of any impairment need and when events or changed circumstances indicate that the carrying amount may not be recoverable. An impairment test is carried out for each cash-generating unit to calculate a recoverable amount, which is compared with the book value. This is then used to determine if impairment is required. The recoverable amount is first calculated from the value in use. If there are estimations of the net realisable values, these are compared with the value in use, whereby the highest amount is used. The value in use is calculated from the incoming and outgoing payments that the asset creates. In addition to this, any payments connected to a final sale are attached. Incoming and outgoing payments are discounted to present value. Provisions for additional considerations are valued at their fair value.

Leasing
Leasing fees are expensed using a straight-line approach over the leasing period, and primarily refer to operational leasing agreements for premises. There is no financial leasing contract.

Cash flow statement
The cash flow statement is prepared in accordance with the indirect method.

Pensions
The majority of the Group's employees are covered by the ITP plan. The Group has chosen to take out pension insurance with Alecta for the employees covered by the ITP plan. The ITP plan is a defined-benefit plan, and pension payments are related to the employee's final salary and the total length of service under the plan. Alecta is unable to submit sufficient information in respect of the proportion of defined-benefit obligations or the plan assets and expenses associated with the plan, which is why the ITP plan, as previously, is reported as a defined-contribution plan. Group employees not covered by the ITP plan are included in the defined-contribution plan.

Financial instruments
All of the Group's financial instruments are linked to the operations and are held without the intention to buy and sell receivables or liabilities. The financial instruments include the categories loan receivables and other financial liabilities.

Financial instruments are valued and reported in accordance with the regulations in IAS 39. A financial asset or liability is reported in the balance sheet when a company in the Group becomes party to the instrument's contractual terms and conditions. A financial asset is removed from the balance sheet when the rights of the contract are realised, fall due or the company in the Group relinquishes control of them. The same applies for parts of a financial asset. A financial liability is removed from the balance sheet when the obligation specified in the contract has been discharged or in any other way falls due. The same applies for parts of a financial liability. Financial instruments in the Group are valued at their fair value. At each accounting year-end, it is evaluated whether there is objective evidence that financial assets have been impaired. Cash and cash equivalents include cash and bank balances. For financial risks, see Note 15.

Group contributions
Group contributions that the parent company receives from subsidiaries or makes to subsidiaries are recognised as appropriations.

Adoption of the financial statements
The Parent Company's and the Group's accounts will be adopted by the Annual General Meeting on 3 May 2018.

Notes

NOTE 1 Fees to auditors

	GROUP		PARENT COMPANY	
TSEK, PricewaterhouseCoopers 2017, Ernst & Young AB 2016	**2017**	**2016**	**2017**	**2016**
Auditing assignment*	779	784	744	754
Auditing activities in addition to the auditing assignment	1	-	1	-
Tax advice	-	-	-	-
Other operations	-	-	-	-
Total audit	**780**	**784**	**745**	**754**

*Auditing costs for subsidiaries are primarily charged to the Parent Company.

NOTE 2 Operational leasing agreements

Leasing costs for operational leasing agreements – primarily the rental of premises – amounted to the following during the year:

	GROUP		PARENT COMPANY	
TSEK	**2017**	**2016**	**2017**	**2016**
Leasing costs	23,730	22,624	23,593	22,284

Future leasing costs are divided as follows:

	GROUP		PARENT COMPANY	
	2017	**2016**	**2017**	**2016**
Due for payment within one year	18,679	19,358	18,679	19,205
Due for payment in more than a year, but within five years	54,477	66,813	54,477	66,419
Due for payment in more than five years	-	4,140	-	4,140

NOTE 3 Employee information and remuneration to the Board and Chief Executive Officer

			(of which men)	
AVG. NO. OF EMPLOYEES	**2017**	**2016**	**2017**	**2016**
Sweden, Parent Company	16	16	10	8
Subsidiaries				
Sweden	432	441	329	340
Estonia	-	1	-	1
Total, Group	**448**	**458**	**339**	**349**

	2017		**2016**	
GENDER DIVISION, %	Board of Directors	Company mgmt.	Board of Directors	Company mgmt.
Group				
Men	67	92	78	92
Women	33	8	22	8
Parent Company				
Men	62	92	75	92
Women	38	8	25	8

SALARY, OTHER REMUNERATION AND SOCIAL SECURITY CONTRIBUTIONS

TSEK	2017 Salary and remuneration	2017 Social security contributions	2016 Salary and remuneration	2016 Social security contributions
Parent Company	15,828	4,938	9,593	4,312
(pension costs)		(2,949)		(2,476)
Subsidiaries	209,159	71,688	211,297	72,308
(pension costs)		(22,644)		(22,820)
Group	**224,987**	**76,626**	**220,890**	**76,620**
(pension costs)		(25,593)		(25,296)

Of the Parent Company pension costs, TSEK 651 (653) refers to Group Board members and the Chief Executive Officer. The corresponding amount for the subsidiaries is TSEK 10 (103).

SALARY AND OTHER REMUNERATION PER COUNTRY AND TO BOARD MEMBERS, ETC. AND EMPLOYEES

TSEK	2017 Board of Directors and MD	2017 Other employees	2016 Board of Directors and MD	2016 Other employees
Parent Company				
Sweden	2,682	13,147	2,345	7,248
(of which bonuses, etc.)	(913)		(560)	
Subsidiaries				
Sweden	60	209,098	742	210,521
(of which bonuses, etc.)	(-)		(-)	
Estonia	0	0	17	16
(of which bonuses, etc.)	(-)		(-)	
Other countries	-	-	-	-
(of which bonuses, etc.)	(-)		(-)	
Total in subsidiaries	60	209,098	759	210,537
(of which bonuses, etc.)	(-)		(-)	
Total, Group	**2,742**	**222,245**	**3,104**	**217,785**
(of which bonuses, etc.)	(913)		(560)	

As per the decision of the Annual General Meeting, the Board of Directors' remuneration consists of TSEK 560 (530), of which TSEK 180 (170) goes to the Chair and the remaining TSEK 380 is equally distributed between the four members. The Chief Executive Officer and the employee representatives have not received any Board fees. Salary and other remuneration (excluding variable pay) for the Chief Executive Officer and CEO, Anders Eriksson, amounted to TSEK 1,768 (1,785), company car benefits TSEK 83 (94) and pension costs TSEK 651 (653). The Chief Executive Officer receives a bonus-based pension according to the ITP plan, where the annual pension costs are limited to 35% of the fixed salary. The retirement age follows the ITP plan. Performance-based variable pay in 2017 amounted to TSEK 913 (560). Variable pay is not qualifying income for pension purposes and is maximised at TSEK 913 (761). The Chief Executive Officer's notice period is 6 months, and in the case of termination on the part of the company, the notice period increases to 18 months. Besides the salary during the notice period, there is no severance pay.

Salary and other remuneration for other senior executives, 12 (11) people, amounted to TSEK 13,032 (11,106), plus variable pay at TSEK 4,925 (2,394); company car benefits amounted to TSEK 622 (476) and pension costs amounted to TSEK 3,577 (2,989). A list of other senior executives is available in the annual report. Variable pay for other senior executives is based solely on the company's profit/loss. Pension benefits for senior executives are provided according to the ITP plan or a similar plan. Some senior executives have chosen a defined-contribution pension plan within the cost framework of the pension plan. The retirement age follows the ITP plan. For other senior executives, variable pay is not qualifying income for pension purposes. The notice period for other senior executives is between 3 and 12 months. Besides the salary during the notice period, there is no severance pay.

No subscription options or other financial instruments are issued to Board members, the Chief Executive Officer or other senior executives. Over the year, the remuneration committee has provided the Board with recommendations on remuneration principles for senior executives. The Chief Executive Officer's remuneration for 2017 was decided by the Board, based on the remuneration committee's recommendation. Remuneration for other senior executives was determined by the Chief Executive Officer after consultation with the chairman of the Board. According to the decision at the most recent Annual General Meeting, the guidelines for remuneration to senior executives are that all remuneration must be competitive and allow qualified senior executives to be recruited and retained.

Alecta

For salaried employees in Sweden, the ITP 2 plan's defined-benefit pension commitments for retirement and family pensions (or family pensions) are secured through insurance with Alecta. In accordance with a statement from the Swedish Financial Reporting Board, UFR 10 'Reporting of ITP 2 plans financed through insurance with Alecta', this is a defined-contribution plan that covers several employers. For the 2017 financial year, the company has not had access to information that would make it possible to report the proportionate share of the plan's commitments, plan assets and costs, which means that it was not possible to report the plan as a defined-benefit plan. The ITP 2 pension plan that is secured through insurance from Alecta is therefore reported as a defined-contribution plan. The premium for the defined-benefit retirement and family pension is calculated on an individual basis and is dependent on

salary, previously earned pension and expected remaining length of service. The expected fees for the next reporting period for the ITP 2 insurance policies with Alecta are MSEK 15 (2016: MSEK 15). The collective consolidation level is the market value of Alecta's assets as a percentage of the insurance commitments calculated using Alecta's actuarial methods and assumptions, which are not in agreement with IAS 19. The collective consolidation level should normally be allowed to vary between 125 and 155 per cent. If Alecta's collective consolidation level falls below 125 per cent or exceeds 155 per cent, measures will be taken with the aim of creating conditions for the consolidation level to return to the normal interval. At a low level of consolidation, one potential measure could be to raise the contractual price of new policies and increase existing benefits. At a high level of consolidation, one potential measure could be to reduce premiums. At the end of 2017, Alecta's surplus at the collective consolidation level amounted to 154 per cent (2016: 149 per cent).

NOTE 4 Interest income and similar profit/loss items

	GROUP		PARENT COMPANY	
TSEK	**2017**	**2016**	**2017**	**2016**
Interest income, etc.	428	719	358	668
	428	**719**	**358**	**668**
Of which for Group companies	-	-	-	-

Interest income refers to return on cash and cash equivalents.

NOTE 5 Taxes

TAX EXPENSE	GROUP		PARENT COMPANY	
TSEK	**2017**	**2016**	**2017**	**2016**
Current tax	-15,584	-8,374	-15,572	-8,774
Deferred tax	378	-880	-	-
Tax expense	**-15,206**	**-9,254**	**-15,572**	**-8,774**

DIFFERENCE BETWEEN CURRENT AND EFFECTIVE TAX				
TSEK	**2017**	**2016**	**2017**	**2016**
Reported profit/loss before tax	66,979	42,218	17,072	40,076
Tax according to the current tax rate, 22%	-14,735	-9,288	-3,756	-8,817
Tax effect, non-deductible expenses	-502	-232	-322	-108
Tax effect on non-taxable income	38	161	36	151
Group contributions without tax effect	-	-	-11,530	-
Tax adjustment from previous year	-7	105	-	-
	-15,206	**-9,254**	**-15,572**	**-8,774**

DEFERRED TAX ASSET/LIABILITY				
TSEK	**2017**	**2016**	**2017**	**2016**
Temporary difference, amortisation of goodwill from acquired net assets	-1,187	-1,155	-	-
Temporary difference, intangible assets	-706	-1,116	-	-
Loss carry-forward	-	-	-	-
	-1,893	**-2,271**	-	-

The deferred tax expense for 2017 refers to other changes in values in respect of deferred tax assets. Deferred tax liabilities are reported as intangible assets (acquired customer base and software). This tax liability is dissolved five years after the acquisition. Softronic also has an outstanding tax deficit of MSEK 6.8 with an unlimited lifespan that is solely expected to be used against capital gains on securities. No deferred tax asset has been reported for these.

Accumulated foreign deficits amount to MSEK 1.6.
No deferred tax asset has been reported for these. The foreign deficit has an unlimited lifespan. Every year a valuation is made of the deferred tax asset and the tax asset, where the value is assessed based on the profit development.

NOTE 6 Earnings per share

Adjustments were made for the subdivision of shares, bonus issues and bonus issue elements for new share issues.
When calculating the profit/loss per share attributable to Parent Company shareholders, the number of shares totalled as follows:

	2017	2016
Average number of shares, basic, thousands [1]	52,633	52,633
Average number of shares, diluted, thousands [1]	52,633	52,633
Number of shares at period end, basic, thousands [1]	52,633	52,633
Number of shares at period end, diluted, thousands [1]	52,633	52,633

Calculation of the Profit/loss for the period per share: The profit/loss for the period divided by the number of shares at period end, diluted

[1]Besides the shares, there are no outstanding potential equity instruments.

NOTE 7 Intangible assets

GROUP

ACCUMULATED COST

TSEK	Goodwill	Customer base	Software	Total
Opening balance, 01/01/2016	109,262	38,382	10,796	158,440
Business acquisitions	-	2,296	-	2,296
Closing balance, 31/12/2016	109,262	40,678	10,796	160,736
Business acquisitions	-	-	-	0
Closing balance, 31/12/2017	**109,262**	**40,678**	**10,796**	**160,736**

ACCUMULATED DEPRECIATION, AMORTISATION AND IMPAIRMENT

TSEK	Goodwill	Customer base	Software	Total
Opening balance, 01/01/2016	-	29,650	5,407	35,057
Depreciation for the year	-	4,100	1,797	5,897
Closing balance, 31/12/2016	-	33,750	7,204	40,954
Depreciation for the year	-	3,892	1,229	5,121
Closing balance, 31/12/2017	**-**	**37,642**	**8,433**	**46,075**

CARRYING AMOUNT	Goodwill	Customer base	Software	Total
At 31/12/2016	109,262	6,928	3,592	119,782
At 31/12/2017	**109,262**	**3,036**	**2,363**	**114,661**

PARENT COMPANY

ACCUMULATED COST

TSEK	Goodwill	Customer base	Software	Total
Opening balance, 01/01/2016	4,840	12,223	1,169	18,232
Business acquisitions	-	-	-	0
Closing balance, 31/12/2016	4,840	12,223	1,169	18,232
Business acquisitions	-	-	-	0
Closing balance, 31/12/2017	**4,840**	**12,223**	**1,169**	**18,232**

ACCUMULATED DEPRECIATION, AMORTISATION AND IMPAIRMENT

TSEK	Goodwill	Customer base	Software	Total
Opening balance, 01/01/2016	4,466	3,879	1,169	9,514
Depreciation for the year	155	3,342	0	3,497
Closing balance, 31/12/2016	4,621	7,221	1,169	13,011
Depreciation for the year	147	3,334	0	3,481
Closing balance, 31/12/2017	**4,768**	**10,555**	**1,169**	**16,492**

CARRYING AMOUNT, TSEK	Goodwill	Customer base	Software	Total
At 31/12/2016	219	5,002	0	5,221
At 31/12/2017	**72**	**1,668**	**0**	**1,740**

A test of the impairment requirement is carried out annually in accordance with IAS 36. A recoverable amount is calculated for a cash-generating unit and then compared with the book value. This is then used to determine if impairment is required. The recoverable amount is first calculated from the value in use. If there are estimations of the net realisable value, these are compared with the value in use, whereby the highest amount is used to determine the recoverable amount.

The value in use is calculated from the incoming and outgoing payments that the asset creates. In addition to this, a payment that is connected to a final disposal is then added. Incoming and outgoing payments are discounted to present value. Company management bases the cash flow forecasts on assumptions related to two important parameters: the discount factor and the growth rate of primarily sales and personnel costs.

The method for determining the discount factor uses assumptions based on an analysis of the level of the interest rate, the risk profile and the yield requirement. The method for determining the growth rate uses assumptions based on historic trends supplemented with external and internal forecasts about own growth and the industry average and where a prudent approach is applied throughout the process. The EBITA margin for the forecast period has been assumed to be at the same level as in 2017. The discount factor before tax that is calculated using the above method is 9.5% (9.5%), including a risk factor. The calculation is based on the forecast values for 2018-2022, after which a growth rate of 1% (1%) has been assumed. The Group as a whole is considered to be a cash-generating unit (CGU) due to its organisational affinity. All acquisitions are integrated into the operations and are not individually identifiable. A test of the impairment requirement has shown that the carrying amounts are well below the recoverable amount, even when making reasonable changes to the above-mentioned key assumptions. A sensitivity analysis in accordance with IAS 36, point 134, is not reported with reference to that stated above.

NOTE 8 Property, plant and equipment

EQUIPMENT	GROUP		PARENT COMPANY	
TSEK	**2017**	**2016**	**2017**	**2016**
Opening cost	52,845	43,918	39,564	30,637
Purchases	4,367	8,927	4,367	8,927
Business acquisitions	-	-	-	-
Sales and disposals	-24,797	-	-24,797	-
Accumulated cost	**32,415**	**52,845**	**19,134**	**39,564**
Opening depreciation	-42,078	-39,490	-29,104	-26,516
Business acquisitions	-	-	-	-
Sales and disposals	24,741	-	24,741	-
Depreciation for the year	-3,730	-2,588	-3,730	-2,588
Accumulated depreciation	**-21,067**	**-42,078**	**-8,093**	**-29,104**
Closing residual value according to plan	**11,348**	**10,767**	**11,041**	**10,460**

NOTE 9 Shares and participations in subsidiaries

Company name	Corporate identity number	Registered office	Number of shares	2017 Cost	2017 Book value	2016 Cost	2016 Book value
Softronic Drift AB	556073-3338	Stockholm	5,000	596	1,089	596	1,089
Softronic Techsupport AB	556310-7407	Stockholm	1,000	7,718	100	7,718	100
Softronic ITM AB	556500-5948	Stockholm	1,000	106	106	106	106
Softronic Väst AB	556525-6731	Stockholm	1,000	130	100	130	100
Softronic Systemkonsult AB	556339-8659	Stockholm	5,000	6,802	1,439	6,802	1,439
Softronic Syd AB	556217-0067	Stockholm	1,000	1,166	396	1,166	396
Softronic Enterprise Partner AB	556478-8361	Stockholm	1,000	4,471	2,181	4,471	2,181
Softronic Premium Konsult AB	556612-1165	Stockholm	1,000	100	100	100	100
Softronic Xpress AB	556717-6101	Stockholm	-	-	-	-	-
Softronic Technology Partner AB	556658-0659	Stockholm	1,000	100	100	100	100
Softronic Auto Partner AB	556671-7194	Stockholm	1,000	608	608	608	608
Softronic TBook AB	556579-7924	Stockholm	1,000	8,800	8,800	8,800	8,800
Softronic Telecom Partner AB	556680-7862	Stockholm	1,000	100	253	100	253
Softronic IT Partner AB	556713-4233	Stockholm	1,000	100	100	100	100
Softronic Dokumenthantering AB	556483-8349	Arjeplog	2,000	2,113	2,113	2,113	2,113
Softronic Yarrow AB	556395-2315	Stockholm	1,000,000	24,640	24,640	24,640	24,640
Yarrow Invest AB	556465-8663	Stockholm	1,000	100	100	100	100
Programmera QT i Sverige AB	556592-8180	Stockholm	1,000	100	100	100	100
Programmera Förvaltning i Sverige AB	556487-2066	Stockholm	1,000	102	102	102	102
Softronic Enter AB	556236-0940	Stockholm	2,222	8,370	8,370	8,370	8,370
Softronic Issi AB	556482-5064	Stockholm	6,270	14,813	14,813	14,813	14,813
Softronic Skanning AB	556775-9369	Stockholm	1,000	100	100	100	100
Softronic Webbutveckling AB	556775-9351	Stockholm	1,000	100	100	100	100
Softronic Hosting Partner AB	556725-3694	Stockholm	1,000	2,010	2,010	2,010	2,010
Softronic Utveckling AB	556790-8875	Stockholm	1,000	100	100	100	100
Softronic Utveckling Två AB	556790-9097	Stockholm	1,000	100	100	100	100
Softronic 1 AB	556419-0006	Stockholm	93,452,446	80,753	80,753	80,753	80,753
Softronic Vendel AB	556384-0494	Stockholm	4,200	4,657	4,657	4,657	4,657
Softronic Dokumentkompetens AB	556682-9809	Stockholm	1,000	3,023	3,023	3,023	3,023
Softronic Danmark A/S	24 20 84 35	Denmark	15,000	1,761	461	1,761	461
Softronic Baltic AS	10243040	Estonia	1,000	1,293	254	1,293	254
American Softronic Inc.	77-0486374	USA	1,000	8	8	8	8
Consultus Företagsutveckling AB	556257-7667	Malmö	10,000	38,470	32,470	38,470	32,470
Consultus AB	556277-9388	Stockholm	16,000	1,752	1,752	1,752	1,752
Consultus Management A/S	979194579	Norway	-	-	-	-	-
Consultus Leadership Partner AB	556530-9662	Stockholm	1,000	8,721	3,025	8,721	3,025
Consultus Management Institute AB	556108-4616	Stockholm	1,000	171	171	171	171
Softronic UK Ltd	03719555	England	2	-	-	-	-
				224,054	**194,594**	**224,054**	**194,594**

Cost includes shareholder's contributions, but not Group contributions paid. Softronic Konsulthubben AB, Softronic Sprawl Solutions AB, Softronic Systech AB and Softonic Processintegration AB have merged to form Softronic 1 AB. Since the end of the year, Consultus Leadership Partner AB, Consultus Management Institute AB, Consultus Företagsutveckling AB, Softronic Utveckling AB , Yarrow Invest AB and Softronic Skanning AB have merged to form Softronic AB. Every company is wholly-owned by Softronic AB.

NOTE 10 Prepaid expenses and accrued income

	GROUP		PARENT COMPANY	
TSEK	**2017**	**2016**	**2017**	**2016**
Work carried out but not invoiced	39,168	40,721	39,168	40,721
Prepaid rental costs	1,024	1,401	1,024	1,401
Other	16,179	19,148	16,397	18,930
	56,371	**61,270**	**56,589**	**61,052**

NOTE 11 Accrued expenses and deferred income

	GROUP		PARENT COMPANY	
TSEK	**2017**	**2016**	**2017**	**2016**
Deferred income	23,462	24,313	23,198	24,234
Accrued salaries	-	-	-	-
Holiday pay liability	8,785	8,390	562	547
Social security contributions	15,216	14,354	1,362	1,244
Other	14,700	14,147	14,563	13,857
	62,163	**61,204**	**39,685**	**39,882**

NOTE 12 Adjustment for non-cash items

	GROUP		PARENT COMPANY	
TSEK	**2017**	**2016**	**2017**	**2016**
Depreciation, amortisation and impairment	8,907	8,485	7,267	6,085
Group contributions	-	-	-7,384	-30,479
Other	-84	-483	-89	-448
	8,823	**8,002**	**-206**	**-24,842**

NOTE 13 Business combinations

No acquisitions took place in 2017. Amounts paid in respect of acquisitions from previous years refer to the final additional consideration for Softronic Vendel AB.

ACQUISITION OF SUBSIDIARIES

Details of acquired net assets	GROUP		PARENT COMPANY	
TSEK	**2017**	**2016**	**2017**	**2016**
Remitted compensation	-	3,023	-	3,023
Amounts paid in respect of acquisitions from previous years	593	579	593	579
Total consideration paid	**593**	**3,602**	**593**	**3,602**

Acquired assets and liabilities (fair value)	GROUP		PARENT COMPANY	
TSEK	**2016**	**2016**	**2016**	**2016**
Shares in subsidiaries	-	-	-	3,602
Other intangible assets	-	2,296	-	-
Current assets	-	1,624	-	-
Cash and cash equivalents	-	926	-	-
Current liabilities	-	-1,823	-	-
Amounts paid in respect of acquisitions from previous years	593	579	593	579
	593	**3,602**	**593**	**3,602**
Total cash flow attributable to acquisition of subsidiaries*	**-593**	**-2,676**	**-593**	**-3,602**

* Total consideration paid by the Group less acquired cash and cash equivalents

ACQUISITION OF OPERATIONS, ASSETS AND LIABILITIES

Details of acquired net assets	GROUP		PARENT COMPANY	
TSEK	**2017**	**2016**	**2017**	**2016**
Remitted compensation	-	-	-	-
Total consideration paid	**0**	**0**	**0**	**0**

Acquired assets and liabilities	GROUP		PARENT COMPANY	
TSEK	**2017**	**2016**	**2017**	**2016**
Goodwill	-	-	-	-
Other intangible assets	-	-	-	-
Current liabilities	-	-	-	-
	0	**0**	**0**	**0**
Total cash flow attributable to acquisition of assets and liabilities	**0**	**0**	**0**	**0**

	GROUP		PARENT COMPANY	
	2017	**2016**	**2017**	**2016**
Total cash flow attributable to acquisitions	**-593**	**-2,676**	**-593**	**-3,602**

NOTE 14 Cash and cash equivalents and current investments

	GROUP		PARENT COMPANY	
TSEK	**2017**	**2016**	**2017**	**2016**
Cash and cash equivalents/Cash and bank balances	87,692	62,274	85,851	60,337

Cash and cash equivalents comprise cash and bank balances that are immediately available or in short-term investments. The Group's liquid transactions are made through a central bank account system held by the Parent Company. As per the balance sheet date, the Group had unutilised overdraft facilities of MSEK 23.

NOTE 15 Financial instruments and financial risk management

Financial assets and liabilities

The Group's financial assets and liabilities consist of the categories listed in the balance sheet, where the carrying amounts are the same as fair value: accounts receivable, other current receivables, accrued income, cash and cash equivalents, accounts payable, other current liabilities and accrued expenses and deferred income, as well as liabilities for provisions for additional considerations.

Financial risks

The financial risks in the operations are low. There is a finance policy in place and checks are carried out by the controller. The primary financial risk the Group faces is credit risk. The Group has a large share of recurring income, but no single customer represents more than 10% of sales, even when aggregating individual customers at the Group level. The Group does not have a significant concentration of credit risk with an individual customer, counterparty or geographic region, and the Group works actively on an ongoing basis to mitigate this risk with assistance from the credit and requirement processes. Receivables are impaired when there is objective evidence that past due amounts will not be paid. An age analysis of accounts receivable is presented below. In terms of other financial risks, the Group has strong equity and no interest-bearing liabilities. Currency risk is very low since the percentage of foreign receivables and liabilities is low. Market risks such as price and interest rate risks (there is no external financing) are negligible other than in minor, individual cases and do not have a major impact on the Group. Financial instruments such as derivatives, etc., are not used and therefore do not represent a risk.

	GROUP		PARENT COMPANY	
TSEK	**2017**	**2016**	**2017**	**2016**
Accounts receivable	104,817	85,792	102,595	84,397

Accounts receivable are non-interest bearing and normally have a credit period of 30-60 days.

Age analysis of accounts receivable, as of 31 December, Group, TSEK

Past due accounts receivable (days)	Total	<30	30-60	60-90	90-120	>120
2017	**11,421**	8,535	775	583	1	1,527
2016	**6,574**	5,768	492	164	0	150

As of 31 December 2017, TSEK 755 (755) in account receivables in the Group was reserved as bad debt.
Bad debt losses of TSEK 0 (0) occurred in the Group during 2017.

NOTE 16 Income

Consolidated income of MSEK 657 (615) can be broken down into consultancy services, MSEK 519 (486), and goods, licences and invoices to third parties, MSEK 138 (129). The operations are run as a single segment and the income is primarily from Sweden. No customer fulfils the requirements set out in IFRS 8, point 34 regarding information about large customers. The Parent Company's distribution of income per income category is basically the same as the Group's, as subsidiaries mostly only work as sub-consultants for the Parent Company. Parent Company sales to subsidiaries amounted to TSEK 16,645 (25,954) and its purchases from subsidiaries TSEK 376,875 (365,665).

NOTE 17 Provisions

	GROUP		PARENT COMPANY	
TSEK	**2017**	**2016**	**2017**	**2016**
Provisions, opening balance	682	1,709	682	1,709
Additional provisions	-	-	-	-
Utilised provisions	-593	-579	-593	-579
Reclassified unused amounts	-89	-448	-89	-448
Total provisions	**0**	**682**	**0**	**682**

Provisions refer to considerations, in the form of the fair value of liabilities. Additional considerations are dependent on future income and profit. Utilized provisions refer entirely to the final additional consideration for Softronic Vendel AB.

NOTE 18 Pledged assets and contingent liabilities

	GROUP		PARENT COMPANY	
TSEK	**2017**	**2016**	**2017**	**2016**
Charges for unutilised overdraft facilities	23,125	23,125	23,125	23,125
Total pledged securities	**23,125**	**23,125**	**23,125**	**23,125**
Contingent liabilities	**None**	**None**	**None**	**None**

NOTE 19 Transactions with closely related parties

NOTE 20 Information about the Parent Company

Softronic AB is a public limited company (publ) with its registered office in Stockholm, Sweden.
The head office address is Hammarby Kaj 10A, SE-120 32 Stockholm, Sweden. The quota value for the share is SEK 0.40 and the total number of shares amounts to 52,632, 803. There are 3,370,000 A shares and each share corresponds to 10 votes. There are 49,262,803 B shares and each share corresponds to 1 vote. A shares are to be offered to existing A shareholders for redemption. B shares are listed on the OMX NASDAQ Stockholm. Softronic is one of Sweden's leading IT and management consultancy firms. We combine in-depth management expertise with qualified IT knowledge, and we can therefore provide our customers with a global approach to change processes, which often include IT, strategic development and human change.

NOTE 21 Events after the balance sheet date

No events with a significant effect on the Parent Company's or Group's financial position or profit/loss occurred between the closing date and the publication of this annual report.

NOTE 22 Goods for resale and other invoiced expenses

Goods for resale and other invoiced expenses refer to project-related costs in the form of sub-consultants and materials.

NOTE 23 Appropriation of profits

Proposed appropriation of profits

The following amounts are at the disposal of the Annual General Meeting (SEK):

Profit carried forward	93,277,321
Share premium reserve	27,429,316
Profit/loss for the year	1,500,223
	122,206,860

The Board and the Chief Executive Officer propose the following appropriation (SEK):

Dividends (52,632,803 shares at SEK 0.75 each)	39,474,602
Brought forward	82,732,258
	122,206,860

The Group's accumulated profit attributable to the Parent Company shareholders amounts to TSEK 193,044 (TSEK 167,582).

Dividend policy

The aim is for the long-term dividend level to amount to around 50% of profits after tax, depending on the company's capital requirements for investments and changes to working capital, as well as the shareholders' desire for a good dividend yield.

NOTE 24 Definition of alternative performance measures

Softronic's financial statements contain alternative performance measures that supplement the measures defined in applicable regulations for financial reporting. Alternative performance measures are given, as they provide more in-depth information than the measures defined in the regulations. The alternative performance measures are disclosed because they are used by management to evaluate the financial performance and are thereby believed to give analysts and other stakeholders valuable information in order to evaluate the financial position and results.
In the section below, Softronic has defined how the alternative performance measures are calculated by Softronic. Definitions of performance measures may deviate from the definitions given by other companies, even though the measures have the same names. The alternative performance measures originate from the consolidated accounts and are not measures of our financial results or liquidity in accordance with IFRS, which is why they should not be considered to be alternatives to net profit, operating profit or other key measures in accordance with IFRS, or as an alternative to cash flow as a measure of our liquidity.

Key figures	Definition/explanation of information value and purpose	Calculation full year 2017
Profit	**Provides a more nuanced and in-depth understanding of profit development**	
Operating margin, %	Operating profit/income	(66.6/657)x100=10.1
Profit margin, %	Profit before tax/income	(67/657)x100=10.2
EBITDA margin, %	Operating profit before depreciation and amortisation/sales	(75.5/657)x100=11.5
Profitability, equity, %	Profit for the 12-month period/average equity over the last 5 quarters	(51.773/(1.201 988/5))x100=21.5
EBITDA, MSEK	Operating profit before depreciation and amortisation	66.6+8.9=75.5
Sales	**Provides a more in-depth insight into the distribution of sales**	
Sales of consultancy services, MSEK	Income for consultants, including agreement income	519
Sales of goods, etc., MSEK	Income for hardware, licences and invoices to third parties	138
Sales per employee, TSEK	Income/number of employees on average during the year	(657/448)x1,000=1,467
Financial position	**Provides a good overview of total liquidity and solvency**	
Equity/assets ratio, %	Total equity/total equity and liabilities	258.1/387.5x100=67
Unutilised credit lines, MSEK	Available but unutilised overdraft facilities	23
Total liquidity, MSEK	Cash and cash equivalents plus unutilised credit lines	88+23=111
Employees	**Provides a summary of changes in staff**	
Average during the period	Number of employees on average during the year	448
Number at the end of the period	Number of employees on 31 December	459
Number of structural dismissals during the period	Number of structural dismissals during the year	6

NOTE 25 Capital

The Group's objective with regard to the capital structure is to secure the Group's ability to continue operating, so that it can continue to generate returns for shareholders, provide benefits for other stakeholders, and to maintain an optimal capital structure to keep the cost of capital down. To maintain or adjust the capital structure, the Group may change the dividend paid to shareholders, repay capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the debt ratio, which is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including the items Short-term borrowing and Long-term borrowing) less cash and cash equivalents. Total capital is calculated as Total equity in the consolidated balance sheet plus net debt. The Group's capital structure is assessed as meeting its targets.

The undersigned hereby certify that the consolidated financial statements and annual report have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and in accordance with generally accepted auditing standards, and give a true and fair view of the development of the Group's and company's operations, financial position and results, and describe the significant risks and uncertainty factors facing the companies within the Group.

Stockholm, 04 April 2018

Stig Martín
Board member

Petter Stillström
Chair of the Board

Anders Nilsson
Board member

Jeanna Rutherhill
Board member

Anders Eriksson
Chief Executive Officer
and Board member

Susanna Marcus
Board member

Cecilia Nilsson
Employee representative

Tomas Högström
Employee representative

Our audit report is hereby submitted on 04 April 2018
PricewaterhouseCoopers AB

Nicklas Kullberg
Authorised public accountant

Auditor's Report

To the Annual General Meeting of Softronic AB (publ),
CIN 556249-0192.

Report on the annual report and consolidated financial statements

Our opinion
We have conducted an audit of the annual accounts and consolidated accounts of Softronic AB (publ) for the year 2017. The annual accounts and consolidated accounts of the company are included on pages 1–20 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and provide in all material respects a true and fair picture of the parent company's financial position as of 31 December 2017, and of its financial results and cash flow for the year in accordance with the Swedish Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and provide in all material respects a true and fair picture of the Group's financial position as of 31 December 2017, and of its financial results and cash flow for the year in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the Swedish Annual Accounts Act. The Director's Report has been prepared in accordance with the other sections contained in the annual report and consolidated financial statements.

We therefore recommend to the General Meeting that the profit and loss statement and the balance sheet be adopted for both the parent company and the Group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for opinions
We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have received is sufficient and suitable as a basis for our opinion.

Other information
The audit of the annual accounts and consolidated accounts for the 2016 financial year was conducted by a different auditor, who submitted an auditor's report dated 4 April 2017 with unmodified opinions in the Report on the annual accounts and consolidated accounts.

Our audit approach

Overview
Materiality--Scope--Key audit matters

Key audit matters
- Revenue recognition
- Valuation of goodwill

Audit scope and approach
We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered the areas where the Chief Executive Officer and the Board made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of the Board and Chief Executive Officer overriding internal controls, including, inter alia, consideration of whether there is evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Materiality
The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance as to whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the materiality for the financial statements as a whole (see the table below). These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures, and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts for the period in question. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter

Revenue recognition
The consolidated income for the year 2017 amounts to MSEK 657 in the statement of comprehensive income and is the Group's largest profit item. Consolidated income comprises primarily consultancy services, which are carried out on a cost plus basis and in accordance with fixed-price agreements.
Income for projects on a cost plus basis is recognised as the consultancy hours are supplied to the customer in accordance with customer agreements. During the invoicing process, an assessment is made to ensure that income and costs are recognized in the correct period, and an assessment is also made as to whether there have been any unforeseen costs or any additional hours in the projects. Income for ongoing fixed-price projects is recognised in line with the principles of successive income recognition, where the degree of completion is calculated based on the number of hours worked at the closing date, compared with the expected total number of hours in the customer assignment.

Changes to the assessment of the total number of hours for the assignment can have a material impact on recognised income and costs. In view of the above, revenue recognition contains an element of subjective assessment, which affects the reporting of income and costs in the Group, see page 9 and Note 16 for the company's description of revenue.

How our audit addressed this key audit matter

The most important audit steps are summarised below:
We have charted and evaluated the company's procedures for reporting and monitoring projects, including how company management identifies and assesses projects where there is a risk of a loss. Customer agreements have been checked at random against the company's reporting. We have also checked that invoicing is being carried out in accordance with the agreements.
We have verified that income is recognised in the correct period and at the correct amount, by examining accrued income and accounts receivable at the end of the financial year.
We have audited a selection of customer invoices and payments received.
These audit steps have not resulted in any significant observations as regards the audit.

Valuation of goodwill
The Group has significant intangible assets as a result of its acquisitions. These are recognised in the balance sheet at MSEK 109. In accordance with IAS 36, the Group tests on an annual basis as a minimum whether there is a need for the impairment of recognised goodwill. This testing is done by calculating the recoverable amount of the business and comparing it to the carrying value of the business. The recoverable amount is determined by company management by calculating the company's ability to generate cash flow in the future. In the audit we have focused on the valuation of goodwill as this item contains the management's estimate of the future earning ability of the business and an assessment of the discount rate. Changes to these assessments can have a material impact on the carrying amount.
There is a more detailed description of the company's impairment testing in Note 7 and the Use of estimates section on page 8.

How our audit addressed this key audit matter

The most important audit steps are summarised below:
We have examined Softronic's impairment testing, and checked the figures to verify the mathematical accuracy in the model.
We have interviewed company management with respect to their assessment of the Group's long-term earning ability.
We have assessed the reasonableness of the company's assumptions for growth and profitability, comparing this with the actual results, and have assessed the reasonableness of its assumption of the discount rate used in the impairment test. We have used PwC's valuation experts to assess the assumptions made by management.
We have examined whether the disclosure requirements in the annual accounts observe IAS 36.
These audit steps have not resulted in any significant observations as regards the audit.

Information other than disclosed in the annual report and consolidated accounts
This other information comprises the 2017 Annual Report, but does not comprise the annual accounts and our audit report with respect to this. The Board of Directors and Chief Executive Officer are responsible for this other information.
Our statement of opinion regarding the annual accounts and the consolidated accounts does not include this information and we state no opinion in assurance of this other information.
As part of our audit of the annual accounts and consolidated accounts, it is our responsibility to read the information identified above and to consider whether this information is materially incompatible with the annual accounts and consolidated accounts. During this review, we also take into account the knowledge we have otherwise acquired during the audit and make a judgement as to whether the information otherwise contains material misstatements.
If, on the basis of the work performed regarding this information, we conclude that the other information contains any material misstatement, we are under a duty to report it. We have nothing to report in this respect.

Responsibility of the Board of Directors and Chief Executive Officer
The Board of Directors and the Chief Executive Officer are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Swedish Annual Accounts Act and, concerning the consolidated accounts, in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the Swedish Annual Accounts Act. The Board of Directors and the Chief Executive Officer are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.
In preparing the annual accounts and consolidated accounts, the Board of Directors and the Chief Executive Officer are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. However, the going concern basis of accounting is not applied if the Board of Directors and the Chief Executive Officer intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility
Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.
A further description of our responsibility for the audit of the annual accounts and the consolidated accounts is available on the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Our opinion
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Chief Executive Officer of Softronic AB (publ) for the 2016 financial year and the proposed appropriations of the company's profit or loss.

We recommend that the General Meeting distribute the profit in accordance with the proposal in the Directors' Report and grant the members of the Board of Directors and the Chief Executive Officer discharge from liability for the financial year.

Basis for opinions

We have conducted our audit in accordance with generally accepted accounting standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have received is sufficient and suitable as a basis for our opinion.

Responsibility of the Board of Directors and Chief Executive Officer

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the parent company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the Group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Chief Executive Officer shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Chief Executive Officer in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company.
- in any other way has acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

PricewaterhouseCoopers AB, was appointed as the auditor for Softronic AB (publ) at the General Meeting on 10 May 2017 and has been the company's auditor since 10 May 2017.

Stockholm, 4 April 2018

PricewaterhouseCoopers AB

Nicklas Kullberg
Authorised public accountant

CORPORATE GOVERNANCE REPORT FOR SOFTRONIC AB, CORPORATE IDENTITY NUMBER 556249-0192, FOR THE 2017 FINANCIAL YEAR
Softronic AB ('Softronic') is a Swedish public limited company, listed on NASDAQ Stockholm. Softronic follows the Swedish Companies Act, the guidelines for issuers on NASDAQ Stockholm, other applicable laws and regulations, plus the Swedish Code of Corporate Governance ('the Code). The Articles of Association also form the basis for the company's management. The content of the Articles of Association is regulated by the Swedish Companies Act and is adopted at the Annual General Meeting. Softronic's Articles of Association are available on the company website, www.softronic.se.

General meeting of shareholders
The general meeting of shareholders is the company's highest decision-making entity. This meeting is where Softronic shareholders make decisions on key issues, such as adopting the profit and loss statements and balance sheets, the distribution of dividends to shareholders, the composition of the Board, discharging the Board of Directors and Chief Executive Officer from liability, changes to the Articles of Association, the election of auditors and the principles for remuneration to the management team. The general meeting of shareholders shall be prepared and implemented in such a way so as to create conditions for the shareholders to exercise their rights in an active and informed manner.

Shareholders entered in the shareholders' register on the record date and who register their participation in the meeting have the right to be present at and vote in the meeting, either personally or via an authorised representative. Each shareholder has the right to have a matter dealt with at the Annual General Meeting. Information on the time and location for the meeting is published on the Softronic website.

As of 31 December 2017, there were 3,370,000 A shares and each share corresponds to 10 votes. There were 49,262,803 B shares and each share corresponds to 1 vote.

The Softronic website details the meeting's authorisation for the Board to make decisions on the acquisition of own shares or the issue of new shares. The 2017 Annual General Meeting renewed the Board's authorisation to decide on the acquisition of up to 10% of the company's shares, plus its authorisation to decide on the issue of new shares equivalent to 10% of the share capital.

The Board and the work of the Board
Six Board members were re-elected at the Annual General Meeting in May 2017. The Board of Directors comprises external members, Chairman Petter Stillström, Stig Martín, Anders Nilsson, Jeanna Rutherhill, Susanna Marcus and the employed member, CEO Anders Eriksson. The Board of Directors also has two employee representative nominated by the personnel, Cecilia Nilsson and Tomas Högström. For more information about the Board Members, visit the website: www.softronic.se.

The company has a nomination committee that consists of four people. The nomination committee should serve as a channel through which individual shareholders can communicate their proposals for the composition of the Board and ensure that these proposals are taken into consideration well in advance of the Annual General Meeting.

The company also has a remuneration committee, consisting of the Chair of the Board and an external ordinary Board member. The responsibility of the remuneration committee is to prepare well thought-out contracts with the Chief Executive Officer and other senior executives. The remuneration committee held one meeting at which both members were present. According to the decision at the latest Annual General Meeting, similar to the Board's proposal for the next meeting, the guidelines for remuneration to senior executives are that all remuneration must be competitive and allow qualified senior executives to be recruited and retained. The work of the Board of Directors also requires the involvement of the CFO and the COO, and in certain cases, business area managers. Eight Board meetings were held in 2017, at which all members elected at the Annual General Meeting were present. Over the year, the Board has discussed strategic issues with regard to the organisation and business acquisitions. The rules of procedure for the Board, together with instructions for the division of work between the Board and the Chief Executive Officer, are established in advance by the Board for one year at a time, starting and ending with the Annual General Meeting.

The Board has not created a formal audit committee. Instead, the entire Board carried out the audit committee's tasks in that one meeting was held during the year at which all Board members were present. It is the Board's opinion that the Board, in its entirety, best possesses the experience and expertise within auditing, financing and internal checking that may be necessary to complete audit committee assignments. Information on Board members, the composition of the remuneration committee and the required information on the Chief Executive Officer's qualifications, work experience, significant roles outside of the company, shareholding and independence are available on the Softronic website. The work of the Board is evaluated once a year using a questionnaire and a discussion. Decisions on appointing or expelling a Board member, together with any changes to the Articles of Association are detailed in the Articles of Association available on the company website.

All members of the Board of Directors elected at the Annual General Meeting are independent in relation to the company and its management, with the exception of Anders Eriksson, who is employed as the Chief Executive Officer. Anders Eriksson, Petter Stillström (through indirect ownership, Traction) and Stig Martín are not independent in relation to major shareholders.

Chief Executive Officer
The Chief Executive Officer is responsible for the ongoing management and control of the Group's operations. This includes implementation of the Group's overall strategy, business governance, controls and compilation of the financial reporting, allocation of financial resources and responsibility for financing and risk management. The rules of procedure for the Board regulate the division of work between the Board and the Chief Executive Officer.

Remuneration
The guidelines for remuneration to senior executives include the application of market employment conditions for the management team. In addition to a fixed salary, senior executives also receive performance-based variable pay. An evaluation of this remuneration policy including variable pay, remuneration structures and remuneration levels was carried out by the Board and the remuneration committee during the year and the determination was made that they are competitive. The Group does not have any outstanding share-based incentive programmes for senior executives or other employees. For more information, see Note 3 of the annual accounts.

Nomination committee
The company's Nomination Committee comprises the following members: Carl Östring, Traction, Chairman of the Nomination Committee, Andreas Eriksson, represents Anders Eriksson and related parties, Evert Carlsson, Swedbank Robur Fonder AB, Stig Martín, Board Member, own holdings.

Internal control and governance processes
Governance within Softronic is based on the vision, strategy and objectives within the Group that are used when preparing business plans, budgets and forecasts. Financial and personnel functions are coordinated within the Group staff, where the responsibility for internal control is managed. Business and administrative processes are followed up on a continuous basis, with results being followed up via financial internal reporting and analysis, to ensure ongoing governance and good internal control. Softronic's governance and internal control system is well designed. The Board of Directors has followed up the assessment of the internal control through contact with the company's external auditors. Given this, and noting the size of the company, the Board has chosen not to conduct a separate internal audit. The Board's responsibility with regard to internal control is laid down in the Swedish Companies Act and presented in the financial statements. The audit complies with applicable laws and regulations for Nasdaq-listed companies.

Shareholders at 31 December 2017	A shares	B shares	Share in capital %	Votes %
Anders Eriksson & family & companies	1,875,400	9,318,160	21.3%	33.8%
Traction	589,000	10,950,000	21.9%	20.3%
Stig Martín & companies	891,600	3,345,600	8.1%	14.8%
Swedbank Robur Fonder	-	4,020,350	7.6%	4.8%
Avanza Pension (insurance company)	-	2,135,390	4.1%	2.6%
Daniel Hägerlöf	-	1,057,315	2.0%	1.3%
Nordnet Pensionsförsäkring AB	-	969,772	1.8%	1.2%
Rambas AB	-	840,900	1.6%	1.0%
Clearstream Banking S.A	-	720,475	1.4%	0.9%
Staffan Bolinder	-	485,000	0.9%	0.6%
Other shareholders	14,000	15,419,841	29.3%	18.7%
Total number of shares	3,370,000	49,262,803		
Total percentage capital/votes			100.0%	100.0%

Stockholm, 04 April 2018

Stig Martín
Board member

Petter Stillström
Chair of the Board

Anders Nilsson
Board member

Jeanna Rutherhill
Board member

Anders Eriksson
Chief Executive Officer
and Board member

Susanna Marcus
Board member

Cecilia Nilsson
Employee representative

Tomas Högström
Employee representative

AUDITOR'S STATEMENT REGARDING THE CORPORATE GOVERNANCE REPORT
To the General Meeting of Softronic AB (publ), CIN 556249-0192

Assignments and division of work
The Board of Directors is responsible for the Corporate Governance Report for 2017 on pages 24-25 and also for ensuring that this report has been prepared in accordance with the Swedish Annual Accounts Act.

Audit scope and approach
Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Our opinion
A corporate governance statement has been prepared. Disclosures in accordance with Chapter 6 Section 6 the second paragraph points 2–6 of the Annual Accounts Act and Chapter 7 Section 31 the second paragraph of the same law are consistent with the annual accounts and consolidated accounts, and conform to the Swedish Annual Accounts Act.

Stockholm, 4 April 2018
PricewaterhouseCoopers AB

Nicklas Kullberg
Authorised public accountant

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