

SECOND QUARTER 2018

- Sales increased by 19.4% to MSEK 199.4 (MSEK 167.0)
- EBITDA increased to MSEK 22.7 (MSEK 19.2)
- Profit before tax increased by 22.6% to MSEK 20.6 (MSEK 16.8)
- Profit margin before tax increased to 10.3% (10.1%)
- Profit for the period after tax increased to MSEK 16.1 (MSEK 13.1)
- Profit for the period after tax per share, before and after dilution, increased to SEK 0.31 (SEK 0.25)
- Cash flow from operating activities amounted to MSEK 6.9 (MSEK 10.3)

JANUARY-JUNE 2018

- Sales increased by 18.0% to MSEK 386.7 (MSEK 327.8)
- EBITDA increased to MSEK 42.8 (MSEK 33.6)
- Profit before tax increased by 33.6% to MSEK 38.6 (MSEK 28.9)
- Profit margin before tax increased to 10.0% (8.8%)
- Profit for the period after tax increased to MSEK 30.1 (MSEK 22.6)
- Profit for the period after tax per share, before and after dilution, increased to SEK 0.57 (SEK 0.43)
- Cash flow from operating activities increased to MSEK 37.4 (MSEK 27.2)
- Total liquidity amounted to MSEK 108
- The equity/assets ratio amounted to 62% (66%)

SIGNIFICANT BUSINESS EVENTS

IN THE SECOND QUARTER

- Softronic acquired the software Charity and customer agreements from Bisnode Sverige AB

EARLIER IN THE YEAR

- Softronic signed an agreement for the MRM membership system with Akademikerförbundet SSR, The Union for Professionals
- Softronic was commissioned by the City of Stockholm as part of its "Smart and connected city" strategy

AFTER THE END OF THE PERIOD

- Softronic has signed a three-year agreement with FASAB for the delivery of IT-related services
- Softronic has signed a two-year framework agreement with the Swedish Tax Agency, which includes IT infrastructure

SOFTRONIC

INTERIM REPORT
for the period
1 January – 30 June
2018

Second quarter 2018 – Continued successes on a strong market

The market

Softronic's key operations are cloud services, outsourcing and other qualified assignments with a longer time scale. The development and sales of SaaS services for which Softronic has the software rights have intensified.

The number of inquiries and deals of this kind is increasing. There is reason to believe that demand will remain high while there is demand for digitisation in all areas of society. These assignments have long sales cycles and require extensive resources during the procurement process.

Demand has reached a historic peak in Stockholm, Softronic's largest market, which has resulted in increases in the hourly rates and an increase in business. The downside is higher costs and staff turnover. But this situation has resulted in higher profitability.

The key is to adopt a leading position and deliver complex assignments that are extremely beneficial to the customer, which will then help to generate new business in the future. Softronic's solutions can be found everywhere in society and are used by millions of users.

Softronic has a solid foundation of these assignments that are stable in terms of profitability, as well as a very good financial position. This means that the company has staying power and is able to act independently regardless of the developments on the market in the future.

Growth and profit development

Once again it has been an extremely good quarter for Softronic in terms of both results and growth.

Sales in the second quarter increased by 19.4% and amounted to MSEK 199.4 (MSEK 167.0). All of this growth is organic.

Sales per employee during this quarter increased, while the number of employees increased on average from 444 to 469. This is despite the fact that many of these new employees had not received the full paid hours from customers during this quarter.

Altogether this meant that profit before tax for the quarter increased by 22.6% to MSEK 20.6 (MSEK 16.8), the profit margin increased to 10.3% (10.1%) and the EBITDA margin amounted to 11.4% (11.5%).

Cash flow from operating activities amounted to MSEK 6.9 (MSEK 10.3) in the second quarter.

Sales in the first six months increased by 18.0% to MSEK 386.7 (MSEK 327.8) Profit before tax for the first six months amounted to MSEK 38.6 (MSEK 28.9). Cash flow from operating activities increased to MSEK 37.4 (MSEK 27.2) The profit margin for the six months was 10.0% (8.8%).

Conditions for the future

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. Although Softronic is meeting its growth targets for sales, all of 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 higher than 15%, while the target for the margin in other business, such as resources consultancy sales and re-selling, is higher than 5%.

This means that the target margin for the Group as a whole is higher than 10% with today's mix of customers and business. This target was achieved not only in 2017, but also in the first six months of 2018, despite the significant growth. If the market remains good, it will continue to be possible to meet and exceed this target.

Softronic has a policy not to make any forecasts.

Business events in 2018

Softronic has acquired the software Charity and customer agreements from Bisnode Sverige AB. Softronic has also signed a five-year reseller agreement for Bisnode Sverige's data services.

The Union for Professionals, Akademikerförbundet SSR, and Softronic have signed an agreement for the delivery of the MRM membership system. This agreement relates to the introduction project and the ongoing delivery of MRM as an SaaS, significantly increasing Softronic's commitment to this customer over a period of many years.

Softronic has been asked to support the City of Stockholm in implementing the "Strategy for Stockholm as a smart and connected city". This strategy states that a Smart City develops most effectively if the city collaborates on various technical platforms. Softronic's team will provide analyses, evaluations, procurements, and more importantly the introduction of these technical platforms.

After the end of the period

Since the end of the period, FASAB and Softronic have signed a three-year agreement for the delivery of IT-related services. This covers the following services: technical operation, application management, workplace service, Service Desk, IT security solutions and related processes and procedures with an estimated value of approximately MSEK 40-50.

The Swedish Tax Agency and Softronic have signed a two-year framework agreement for the delivery of services for IT infrastructure and technology within the following assignment areas: Analysis and investigation, Team and competence supply, Administration and development assignments. The framework agreement can be extended by up to two years by the Swedish Tax Agency. These assignments can be carried out in various forms, for example, small assignments, preliminary studies, analyses and quality reviews, or as a major assignment, covering all or parts of the solution.

Liquidity

The Group had MSEK 85 in cash and cash equivalents as of 30 June 2018. There was a dividend of MSEK 39.5 in the second quarter. The total liquidity comprising cash and cash equivalents, as well as granted but unutilised credit lines, amounted to MSEK 108.

Events after the end of the period

There have been no significant events after the end of the period.

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. Changes in these key parameters have been commented above under the “The market”.

Softronic

Softronic is an IT and management company whose business concept is to offer solutions based on modern IT in order to create better business and greater competitiveness for the company's customers.

By combining experience and innovation in cutting-edge technology with competence in strategy and organisational development, Softronic takes holistic responsibility – from the needs analysis and development of transaction-intensive operational solutions to their implementation and operation.

The company was set up in 1984 and currently has approximately 460 employees at offices in Stockholm, Gothenburg, Malmö, Sundsvall and Arjeplog. Softronic is listed on the NASDAQ Stockholm Small Cap.

OTHER**Reports 2018**

Interim Report (July-Sept), 25 October

Auditors' examination

This report has not been examined by the auditors.

Information about the interim report

Anders Eriksson, Chief Executive Officer

Email: anders.eriksson@softronic.se

Tel. no.: +46 8 51 90 90 00

Softronic AB (publ), CIN 556249-0192

The Board of Directors and Chief Executive Officer certify that this interim report gives a true and fair view of the development of the Group's operations, financial position and results, and describes the significant risks and uncertainty factors facing the company and the companies within the Group.

Petter Stillström, Chairman of the Board of Directors

Anders Eriksson, Chief Executive Officer

Stig Martín, Board member

Susanna Marcus, Board member

Anders Nilsson, Board member

Cecilia Nilsson, Board member (employee representative)

Jeanna Rutherhill, Board member

Tomas Högström, Board member (employee representative)

**SUMMARY CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

MSEK	2018	2017	2018	2017	2017
	April-June	April-June	Jan-June	Jan-June	full year
Revenue	199.4	167.0	386.7	327.8	657.0
Goods for resale and other invoiced expenses	-62.7	-46.1	-118.6	-93.1	-188.4
Other external expenses	-12.9	-13.9	-26.0	-28.3	-54.5
Personnel costs	-101.1	-87.8	-199.3	-172.8	-338.6
Depreciation, tangible assets	-2.2	-2.3	-4.3	-4.7	-8.9
Operating profit/loss	20.5	16.9	38.5	28.9	66.6
Net financial income/expense	<u>Note 2</u>	0.1	-0.1	0.1	0.4
Profit/loss before tax	20.6	16.8	38.6	28.9	67.0
Tax	-4.5	-3.7	-8.5	-6.3	-15.2
PROFIT/LOSS FOR THE PERIOD	16.1	13.1	30.1	22.6	51.8
Other comprehensive income					
<i>Items that will be reclassified to profit or loss</i>					
Translation differences	0.0	0.0	0.0	0.0	0.0
COMPREHENSIVE INCOME FOR THE PERIOD	16.1	13.1	30.1	22.6	51.8
Profit/loss for the period attributable to the Parent Company shareholders	16.1	13.1	30.1	22.6	51.8
Comprehensive income attributable to the Parent Company shareholders	16.1	13.1	30.1	22.6	51.8
Profit for the period per share, basic, SEK	<u>Note 1</u>	0.31	0.25	0.57	0.98
Profit for the period per share, diluted, SEK	<u>Note 1</u>	0.31	0.25	0.57	0.98

SUMMARY CONSOLIDATED BALANCE SHEET

MSEK	6/30/2018	6/30/2017	12/31/2017
ASSETS			
Goodwill	<u>Note 4</u>	109.3	109.3
Other intangible assets	<u>Note 4</u>	4.9	7.5
Property, plant and equipment		9.7	11.3
Total fixed assets		123.9	128.3
Receivables, etc.		191.9	156.3
Cash and cash equivalents		85.0	60.7
Total current assets		276.9	261.5
TOTAL ASSETS		400.8	387.5
EQUITY AND LIABILITIES			
Equity		248.7	228.9
Deferred tax liabilities		1.8	2.0
Other provisions		1.6	0.7
Current liabilities, non-interest-bearing		148.7	113.7
TOTAL EQUITY AND LIABILITIES		400.8	345.3

SUMMARY CONSOLIDATED EQUITY

	2018	2017	2017
	Jan-Jun	Jan-Jun	full year
Total equity, MSEK			
Opening balance	258.1	232.6	232.6
Comprehensive income for the period	30.1	22.6	51.8
Dividends	-39.5	-26.3	-26.3
Closing balance	248.7	228.9	258.1

All equity is attributable to the Parent Company shareholders, as there are no non-controlling interests.

CONSOLIDATED CASH FLOW STATEMENT

Summary, MSEK	2018	2017	2018	2017	2017
<u>Note 3</u>	April-June	April-June	Jan-Jun	Jan-Jun	full year
Cash flow from operating activities					
before changes in working capital	17,0	13,4	30,5	26,2	67,0
Changes in working capital	<u>-10,1</u>	<u>-3,1</u>	<u>6,9</u>	<u>1,0</u>	<u>-10,3</u>
Cash flow from operating activities	6,9	10,3	37,4	27,2	56,7
Cash flow from investing activities	-0,4	-0,3	-0,6	-2,5	-5,0
Cash flow from financing activities	-39,5	-26,3	-39,5	-26,3	-26,3
CASH FLOW FOR THE YEAR/PERIOD	-33,0	-16,3	-2,7	-1,6	25,4
Cash and cash equivalents at the beginning of the year/period	118,0	77,0	87,7	62,3	62,3
Cash and cash equivalents at the end of the year/period	85,0	60,7	85,0	60,7	87,7
Cash flow from operating activities per share, basic, SEK Note 1	0,13	0,20	0,71	0,52	1,08
Cash flow from operating activities per share, after dilution, SEK Note 1	0,13	0,20	0,71	0,52	1,08

ALTERNATIVE PERFORMANCE MEASURES GROUP, for definitions, see Note 5

Profit	2018	2017	2018	2017	2017
<u>Note 1</u>	April-June	April-June	Jan-Jun	Jan-Jun	full year
Profit per share, basic/diluted, SEK	0.31	0.25	0.57	0.43	0.98
EBITDA, MSEK	22.7	19.2	42.8	33.6	75.5
EBITDA margin, %	11.4	11.5	11.1	10.3	11.5
Operating margin, %	10.3	10.1	10.0	8.8	10.1
Profit margin, %	10.3	10.1	10.0	8.8	10.2
Profitability, equity, %	23.7	18.1	23.7	18.1	21.5

Sales	2018	2017	2018	2017	2017
<u>Note 1</u>	April-June	April-June	Jan-Jun	Jan-Jun	full year
Net sales, MSEK	199	167	387	328	657
Sales of consultancy services, MSEK	153	134	298	261	519
Sales of goods, etc., MSEK	46	33	89	67	138
Sales per employee, TSEK*	425	376	839	748	1,490

Financial position	6/30/2018	6/30/2017	12/31/2017
Equity, MSEK	249	229	258
Equity/assets ratio, %	62	66	67
Cash and cash equivalents, MSEK	85	61	88
Unutilised credit lines, MSEK	23	23	23

ALTERNATIVE PERFORMANCE MEASURES GROUP, cont., for definitions, see Note 5

Employees	2018 April-June	2017 April-June	2018 Jan-Jun	2017 Jan-Jun	2017 full year
Average during the period*	469	444	461	438	441
Number at the end of the period*	460	441	460	441	445
Number of structural dismissals	0	1	1	4	6

*The number of employees for 2017 in this report has been adjusted from the one that had previously been reported.

Development per quarter	Q2/16	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17	Q1/18	Q2/18
Net sales, MSEK	170.7	128.6	163.5	160.8	167.0	142.7	186.5	187.3	199.4
Profit/loss for the period before tax	14.3	9.0	14.9	12.1	16.8	14.3	23.8	18.0	20.6
Profit margin before tax, %	8.4	7.0	9.1	7.5	10.1	10.0	12.8	9.6	10.3

PARENT COMPANY'S SUMMARY PROFIT AND LOSS ACCOUNT

MSEK	2018 Jan-June	2017 Jan-June	2017 full year
Revenue	387	323	664
Costs	-348	-292	-654
Operating profit/loss	39	31	10
Net financial income/expense	2	-	-
Appropriations*	-	-	7
Profit/loss before tax	41	31	17
Tax	-9	-7	-16
NET PROFIT	32	24	1

*net Group contributions paid/received

PARENT COMPANY'S SUMMARY BALANCE SHEET

MSEK	6/30/2018	6/30/2017	12/31/2017
ASSETS			
Fixed assets	45	209	207
Current assets	260	192	248
TOTAL ASSETS	305	401	455
EQUITY AND LIABILITIES			
Equity	138	167	145
Other provisions	2	1	-
Current liabilities, non-interest-bearing	165	233	310
TOTAL EQUITY AND LIABILITIES	305	401	455

PARENT COMPANY'S SUMMARY CASH FLOW STATEMENT

MSEK	2018 Jan-Jun	2017 Jan-Jun	2017 full year
Cash flow from operating activities	38	19	57
Cash flow from investing activities	-1	-3	-5
Cash flow from financing activities	-39	-26	-26
CASH FLOW FOR THE YEAR/PERIOD	-2	-10	26
Cash and cash equivalents at the beginning of the year/period	86	60	60
Cash and cash equivalents at the end of the year/period	84	50	86

NOTES

Accounting principles and supplementary information

The interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, and the Swedish Annual Accounts Act.

Group operations are wide-ranging and are therefore reported as a segment.

The Group applies the same accounting principles and uses the same bases for calculation as in the 2017 Annual Report.

The estimates follow the same principles as in the Annual Accounts of 2017.

Comprehensive income is reported as an extended profit and loss account, including items previously recognised in equity.

The Group's financial assets and liabilities comprise accounts receivable, other current receivables, pre-paid expenses, accrued income, cash and cash equivalents, other provisions, accounts payable, other current liabilities, accrued expenses and deferred income, with the carrying amounts the same as fair value.

New and amended IFRS that have become applicable from 2018 are not considered to have any material effect on the financial statements. IFRS 15, which came into force from 1 January 2018, where revenue is recognised in a way that reflects the transfer of good/services to customers and where integrated contracts are recognised as separate obligations, does not have a material effect on the Group's financial statements and there are no transition problems. IFRS 16, which applies from 1 January 2019, where assets and liabilities for leases are recognised in the balance sheet, 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. The transition method for IFRS 16 has been decided, using the forward-looking method without any historic recalculations. IFRS 9 "Financial instruments", which came into force on 1 January 2018, is not considered to have a material effect on the financial statements and there are no transition problems.

No transactions with closely related parties took place during the year that affected the company's profit/loss and financial position.

In the first quarter, the wholly-owned subsidiaries, Consultus Leadership Partner AB, Consultus Management Institute AB, Consultus Företagsutveckling

AB, Softronic Utveckling AB, Yarrow Invest AB and Softronic Skanning AB merged to form Softronic AB. In the second quarter the parent company received dividends from several subsidiaries, with the participations in these subsidiaries written down to the level of the subsidiaries' equity.

In this report there is only an overview of the Parent Company's profit and loss statement and balance sheet, as the Group's sales and balance sheet items are mostly in the Parent Company.

Note 1 Profit/loss per share

The number of shares before and after dilution when calculating earnings and cash flow per share amounted to 52,632,803 shares.

Note 2 Net financial income/expense

This item includes interest income and interest expense.

Note 3 Cash flow statements

Allocation of investments (MSEK)

	2018 Jan-June	2017 Jan-June	2017 full year
Net investments in equipment	-0.2	-2.5	-4.4
Business combinations	-0.4	-	-0.6
Total:	-0.6	-2.5	-5.0

Note 4 Business combinations

An acquisition took place of the assets and liabilities of Bisnode AB in the second quarter of 2018.

Specification of business combinations (MSEK)

	2018 Jan-June	2017 Jan-June	2017 full year
Total cost	2.0	-	-
Amounts paid in respect of previous acquisitions	-	-	0.6
Less unpaid portion	-16	-	-
Total cost paid	0.4	0.0	0.6
Acquired assets and liabilities			
Other intangible assets ²	2.0	-	-
Amounts paid in respect of previous acquisitions	-	-	0.6
Less unpaid portion	-16	-	-
	0.4	0.0	0.6
Total cash flow attributable to acquisitions ¹	-0.4	0.0	-0.6

¹Cost paid less acquired cash and cash equivalents.

²Relates to the acquisition of the assets and liabilities of Bisnode, with a remaining purchase price of MSEK 16.

Note 5 Alternative performance measures

Softronic's financial statements contain alternative performance measures that supplement the measures defined in applicable regulations for financial reporting, such as income, profit or loss, or earnings per share. 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 below 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 Softronic's financial position and results. In the section below, we have 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 Jan-Jun 2018
Profit	Provides a more nuanced and in-depth understanding of profit development	
Operating margin, %	Operating profit/income	$(38,5/386,7)*100=10,0$
Profit margin, %	Profit before tax/income	$(38,6/386,7)*100=10,0$
EBITDA margin, %	Operating profit before depreciation and amortisation/income	$(42,8/386,7)*100=11,1$
Profitability, equity, %	Profit for the 12-month period/average equity over 5 quarters	$(59223/(1248130/5))*100=23,7$
EBITDA, MSEK	Operating profit before depreciation and amortisation	$38,5+4,3=42,8$
Sales	Provides a more in-depth insight into the distribution of sales	
Sales of consultancy services, MSEK	Income for consultants, including agreement income	298
Sales of goods, etc., MSEK	Income for hardware, licences and invoices to third parties	89
Sales per employee, TSEK	Income/number of employees on average	$(386,7/461)*1\ 000=839$
Financial position	Provides a good overview of total liquidity and solvency	
Equity/assets ratio, %	Total equity/total equity and liabilities	$248,7/400,8*100=62$
Unutilised credit lines, MSEK	Available but unutilised overdraft facilities	23
Total liquidity, MSEK	Cash and cash equivalents plus unutilised credit lines	$85+23=108$
Employees	Provides a summary of changes in staff	
Average during the period	Number of employees on average	461
Number at the end of the period	Number of employees	460
Number of structural dismissals during the period	Number of structural dismissals	1

The information in this interim report is the information that Softronic AB (publ) must publish in accordance with Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse (MAR). This information was submitted for publication, through the agency of Softronic AB, on 15 August 2018 at 08.00 (CET). This report and additional information about Softronic AB are available at www.softronic.se.