



Interim Report



FOR THE PERIOD

1 January – 30 September

2019

Significant business events

Earlier in the year

- » Softronic has signed a framework agreement with Läkemedelsverket (the Medical Products Agency) for the development and administration of websites
- » Softronic and Kommunalarbetarnas arbetslöshetskassa (the municipal workers' unemployment fund) have entered into an IT partnership
- » Softronic has signed framework agreements for booking culture and leisure facilities with the Swedish Association of Local Authorities and Regions (SALAR) and Kommentus Inköpscentral
- » One of the country's major authorities has called off two agile development teams consisting of 7 people each for long-term change projects
- » Five of Sweden's largest unemployment insurance funds have jointly commissioned a Chat bot project from Softronic

Third quarter 2019

- » Sales amounted to MSEK 157.0 (MSEK 157.4)
- » EBITDA increased to MSEK 20.2 (MSEK 12.3)
- » Profit before tax increased to MSEK 13.8 (MSEK 11.1)
- » Profit margin before tax increased to 8.8 % (7.1 %)
- » Profit for the period after tax increased to MSEK 10.5 (MSEK 8.5)
- » Profit for the period after tax per share before and after dilution increased to SEK 0.20 (SEK 0.16)
- » Cash flow from operating activities was MSEK 10.1 (MSEK 11.9)

January–September 2019

- » Sales amounted to MSEK 532.2 (MSEK 544.1)
- » EBITDA increased to MSEK 69.6 (MSEK 55.1)
- » Profit before tax increased to MSEK 50.7 (MSEK 49.7)
- » Profit margin before tax increased to 9.5 % (9.1 %)
- » Profit for the period after tax increased to MSEK 39.4 (MSEK 38.6)
- » Profit for the period after tax per share before and after dilution increased to SEK 0.75 (SEK 0.73)
- » Cash flow from operating activities was MSEK 35.0 (MSEK 49.3)
- » Total liquidity amounted to MSEK 104
- » The equity/assets ratio amounted to 61 % (68 %).



Q3 2019 – higher profitability

As always, the third period was significantly affected by the holiday period, reporting lower sales than in the other quarters. In terms of sales Q3 2019 was largely unchanged from the previous year, but the higher proportion of agreement income resulted in profit being slightly higher, up by approximately 24 % from MSEK 11.1 in 2018 to MSEK 13.8 million this year. In terms of profit margin, the company has seen an increase from 7.1 % in the third quarter of 2018 to 8.8 % for the third quarter this year.

Although the figures for the period January to September are similar to last year, they have been more even throughout the year. Sales for the first nine months of the year amounted to MSEK 532, compared with MSEK 544 in the previous year. However, profit before tax was MSEK 50.7 compared with MSEK 49.7; i.e. slightly higher despite lower sales.

The consensus among economists and analysts would suggest that we are at or have even passed the peak of the economic cycle, although no dramatic falls are expected either in Sweden or in the global economy. In normal circumstances this should signify a slowdown in the IT sector as well. However, the question is whether the underlying pressure on greater digitalisation will counter the expected fall or even result in higher growth in IT continuing, despite everything else that is taking place. Softronic has not noted any clear signs of a downturn on the market so far, although the lower staff turnover (which is of course very positive for us) could be seen as a clear sign that things are starting to slow down.

One of the trends in digitalisation is that new tools are needed in many sectors to handle the new data that legislation requires of our customers. One of the areas that

customers must address is anti-money laundering (AML), with Softronic enjoying a leading position on the Swedish market with our product CM1. I am happy to report that we signed contracts with nine new customers during the third quarter, and have also been entrusted to deliver the add-on service “Beneficial owner” to five customers. By using, for example, artificial intelligence (AI), we will continue to develop our product suite in this area, and we now have more international customers, on top of our Swedish companies, who are using our products in more countries.

The trend of customers buying SaaS solutions and standard systems is continuing. Our focus on creating complete operational solutions based on standardised CRM services has resulted in the high level of demand and growth continuing. Growth within this area is restricted to some extent by the ability for us to recruit enough employees.

One interesting strategic issue moving forward will be to monitor how and to what extent the establishment of data centres by major global companies on Swedish soil will affect the attitude of Swedish customers towards cloud technology. The building of data centres for both Amazon and Microsoft is in full swing, where they will be able to guarantee that data will be stored in Sweden. It remains to be seen whether this will lead to a major change in customer attitudes.

Liquidity

The Group had MSEK 81 in cash and cash equivalents as of 30 September 2019. The total liquidity comprising cash and cash equivalents, as well as granted unutilised credit lines, amounted to MSEK 104.

Business events in 2019

Softronic signed a framework agreement with SKL for Booking and Contribution solutions earlier this year. One of the country's major authorities has called off two agile development teams consisting of seven people per team for long-term change projects. Five of Sweden's largest unemployment insurance funds have jointly commissioned a Chat bot project from Softronic. Softronic and Kommunalarbetarnas arbetslöshetskassa (the municipal workers' unemployment fund) have entered into an IT partnership. Softronic has signed an agreement with Läkemedelsverket (the Medical Products Agency) for the development and administration of websites

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, all of which have a decisive impact on profitability. Changes to these key parameters have been commented on above.

Nomination Committee appointed

The Nomination Committee in Softronic until the AGM in 2020 are:

Petter Stillström, Traction

Andreas Eriksson, Anders Eriksson incl. family

Stig Martin, own holdings

Åsa Nisell, Swedbank Robur Fonder

These members represent the owners with a total of 60 % of the capital and 74 % of the votes.

The Chief Executive Officer certifies 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.

Stockholm, 23 October 2019

Per Adolfsson, CEO

Auditor Assessment report, Softronic AB (publ), corporate identity number 556249-0192

Introduction

We have reviewed the summary interim financial information (interim report) of Softronic AB (publ) as of 30 September 2019 and the nine-month period that ended on this date. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Focus and scope of the review

We have conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report has not been prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act in the case of the Group, and in accordance with the Annual Accounts Act in the case of the parent company.

Stockholm, 23 October 2019
PricewaterhouseCoopers AB

Nicklas Kullberg
Authorised public accountant

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 expertise in strategy and organisational development, Softronic assumes a holistic responsibility stretching from needs analysis and the development of transaction-intensive business solutions to implementation and operation.

The company was set up in 1984 and currently has approximately 450 employees at offices in Stockholm, Gothenburg, Malmö, Sundsvall and Arjeplog. Softronic is listed on NASDAQ Stockholm Small Cap.

Other

Reports for 2020

- Year-end report 2019, 20 February
- Annual Report 2019, 16 April
- Interim Report (Jan-March), 13 May
- Annual General Meeting 2020, 13 May, 17.30 at the company's premises
- Interim Report (April-June), 17 July
- Interim Report (July-Sept), 22 October

Information about the interim report

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Softronic AB (publ), CIN 556249-0192

Consolidated income statement and other comprehensive income, MSEK	2019 Jul-Sep	2018 Jul-Sep	2019 Jan-Sep	2018 Jan-Sep	2018 full year
Revenue	157.0	157.4	532.2	544.1	737.2
Goods for resale and other invoiced expenses	-47.8	-52.8	-156.0	-171.4	-229.8
Other external expenses	-6.7	-12.4	-24.1	-38.4	-51.8
Staff costs	-82.3	-79.9	-282.5	-279.2	-380.6
Depreciation, fixed assets ¹	-6.0	-1.3	-17.8	-5.6	-6.9
Operating income	14.2	11.0	51.8	49.5	68.1
Net financial income/expense note 2	-0.4	0.1	-1.1	0.2	0.2
Profit/loss before tax	13.8	11.1	50.7	49.7	68.3
Taxes	-3.3	-2.6	-11.3	-11.1	-16.0
Profit/loss for the period	10.5	8.5	39.4	38.6	52.3
Other comprehensive income					
Items that will be reclassified to profit or loss					
Translation differences	0.0	0.0	0.0	0.0	0.0
Comprehensive income for the period	10.5	8.5	39.4	38.6	52.3
Profit/loss for the period attributable to the Parent Company's shareholders	10.5	8.5	39.4	38.6	52.3
Comprehensive income attributable to the Parent Company's shareholders	10.5	8.5	39.4	38.6	52.3
Profit for the period per share, basic, SEK note 1	0.20	0.16	0.75	0.73	0.99
Profit for the period per share, diluted, SEK note 1	0.20	0.16	0.75	0.73	0.99

¹of which depreciation for leasing for July–Sep 2019 is MSEK -5 and for Jan–Sep 2019 is MSEK -14; this also affects the performance measure EBITDA 2019

Summary of Balance Sheet Group, MSEK	2019-09-30	2018-09-30	2018-12-31
ASSETS			
Goodwill note 4	109.3	109.3	109.3
Other intangible assets note 4	2.7	4.5	4.0
Other non-current receivables	2.4	-	2.5
Right-of-use asset	43.6	-	-
Property, plant and equipment	6.3	9.1	8.3
Total fixed assets	164.3	122.9	124.1
Receivables, etc.	179.5	161.3	174.9
Liquid assets	81.1	96.5	113.0
Total current assets	260.6	257.8	287.9
Total assets	424.9	380.7	412.0
EQUITY AND LIABILITIES			
Equity	257.7	257.2	270.9
Deferred tax liabilities	1.4	1.7	1.6
Other provisions	3.7	1.6	4.1
Other current liabilities, leasing	24.9	-	-
Current liabilities ¹	137.2	120.2	135.4
Total equity and liabilities	424.9	380.7	412.0

¹of which the current part of the leasing liability (IFRS 16) at 30/09/2019 is MSEK19

Total Summary of Shareholders Equity for the Group		2019	2018	2018
MSEK		Jan-Sep	Jan-Sep	full year
Opening balance		270.9	258.1	258.1
Comprehensive income for the period		39.4	38.6	52.3
Dividend		-52.6	-39.5	-39.5
Closing balance		257.7	257.2	270.9

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

Summary of Cash Flow Statement		2019	2018	2019	2018	2018
Group, MSEK, note 3		Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	full year
Cash flow from operating activities						
before changes in working capital		13.3	6.6	49.8	37.1	61.8
Changes to working capital,		-3.2	5.3	-14.8	12.2	3.6
Cash flow from operating activities		10.1	11.9	35.0	49.3	65.4
Cash flow from investing activities		-0.2	-0.3	-0.2	-0.9	-0.6
Cash flow from financing activities		-4.7	-0.1	-66.7	-39.6	-39.5
Cash flow for the year/period		5.2	11.5	-31.9	8.8	25.3
Cash and cash equivalents at the start of the year/period		75.9	85.0	113.0	87.7	87.7
Cash and cash equivalents at the end of the year/period		81.1	96.5	81.1	96.5	113.0
Cash flow from operating activities per share, basic, SEK	note 1	0.19	0.23	0.66	0.94	1.24
Cash flow from operating activities per share, diluted, SEK	note 1	0.19	0.23	0.66	0.94	1.24

Performance measures for the Group note 5		2019	2018	2019	2018	2018
Net profit/loss		Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	full year
Profit per share, basic/diluted, SEK	note 1	0.20	0.16	0.75	0.73	0.99
EBITDA, MSEK		20.2	12.3	69.6	55.1	75.0
EBITDA margin, %		12.9	7.8	13.1	10.1	10.2
Operating margin, %		9.0	7.0	9.7	9.1	9.2
Profit margin, %		8.8	7.1	9.5	9.1	9.3
Profitability, equity, %		19.9	22.1	19.9	22.1	20.0

		2019	2018	2019	2018	2018
Sales		Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	full year
Net sales, MSEK		157	157	532	544	737
Sales of consultancy services, MSEK		67	68	251	262	356
Sales of agreements, MSEK		63	54	187	158	217
Invoiced to third parties, services, MSEK		13	16	43	63	87
Invoiced to third parties, other, MSEK		11	12	39	44	54
Sales of licenses, MSEK		3	3	11	11	15
Sales of hardware, MSEK		0	4	1	5	8
Other operating income, MSEK		0	0	0	1	0
Sales per employee, TSEK		353	349	1 199	1 191	1 631

Financial position		2019-09-30	2018-09-30	2018-12-31
Equity, MSEK		258	257	271
Equity/assets ratio, %		61	68	66
Cash and cash equivalents, MSEK		81	97	113
Unutilised credit lines, MSEK		23	23	23

		2019	2018	2019	2018	2018
Employees		Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	full year
Average during the period		445	451	444	457	452
Number at the end of the period		447	447	447	447	438
Number of structural dismissals for the period		1	3	3	4	4

Development per quarter	Q3/17	Q4/17	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19
Net sales, MSEK	142.7	186.5	187.3	199.4	157.4	193.1	183.6	191.6	157.0
Profit/loss for the period before tax, MS	14.3	23.8	18	20.6	11.1	18.6	17.1	19.8	13.8
Profit margin before tax, %	10.0	12.8	9.6	10.3	7.1	9.6	9.3	10.3	8.8

Summary of Income Statement for Parent Company			
MSEK	2019 Jan-Sep	2018 Jan-Sep	2018 full year
Revenue	532	544	737
Costs	-480	-494	-728
Operating income	52	50	9
Net financial income/expense	0	2	2
Appropriations*	-	-	61
Profit/loss before tax	52	52	72
Taxes	-11	-11	-16
Net profit/loss	41	41	56

*net Group contributions paid/received

Summary of Balance Sheet for Parent Company			
MSEK	2019-09-30	2018-09-30	2018-12-31
ASSETS			
Fixed assets	41	44	43
Non-current receivables	2	-	3
Current assets	246	243	282
Total assets	289	287	328
EQUITY AND LIABILITIES			
Equity	150	147	162
Non-current liabilities	4	2	5
Current liabilities, non-interest-bearing	135	138	161
Total equity and liabilities	289	287	328

Summary of Cash Flow Statement for Parent Company			
MSEK	2019 Jan-Sep	2018 Jan-Sep	2018 full year
Cash flow from operating activities	21	50	67
Cash flow from investing activities	0	-1	-1
Cash flow from financing activities	-53	-39	-39
Cash flow for the year/period	-32	10	27
Cash and cash equivalents at the start of the year/period	113	86	86
Cash and cash equivalents at the end of the year/period	81	96	113

Notes

Accounting principles and supplementary information

Softronic AB (publ) applies the IFRS standards (International Financial Reporting Standards) as adopted by the EU.

The interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, and the Swedish Annual Accounts Act. The report for the parent company has been prepared in accordance with the Swedish Annual Accounts Act and RFR 2, Accounting for Legal Entities.

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 2018 Annual Report, except for the new standard IFRS 16 Leases.

The estimates follow the same principles as in the Annual Accounts of 2018.

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 non-current receivables, other current receivables, prepaid 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 2019 are not considered to have any material effect on the financial statements. The transition method outlined in IFRS 16 has been implemented based on the forward-looking method without any historical recalculation. As of 30 September 2019

utilisation rights were MSEK 44 and the leasing liability was MSEK 44 (reported under other long-term liabilities as MSEK 25 and current liabilities as MSEK 19). Amortisation and depreciation have been calculated at approximately MSEK -14 (Q3 MSEK -5) and interest expense was approximately MSEK -1.2 (Q3 MSEK -0.4), both recognised as external expenses for the previous year. Softronic has opted to adopt the relief rules regarding short-term leases and agreements where the underlying asset is of a low value.

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

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

Earnings 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	2019 Jan-Sep	2018 Jan-Sep	2018 full year
Net investments in equipment	-0.2	-0.5	-0.2
Acquisition of business combinations	-	-0.4	-0.4
Total invested	-0.2	-0.9	-0.6

Note 4

Acquisition of business combinations

No acquisitions took place in 2019.

Specification of business combinations, MSEK	2019 Jan-Sep	2018 Jan-Sep	2018 full year
Total cost	-	2.0	2.0
Less unpaid portion	-	-1.6	-1.6
Total cost paid	0.0	0.4	0.4
ACQUIRED ASSETS AND LIABILITIES			
Other intangible assets ²	-	2.0	2.0
Less unpaid portion	-	-1.6	-1.6
Total acquired	0.0	0.4	0.4
Total cash flow attributable to acquisitions¹	0.0	-0.4	-0.4

¹ Relates to customer base

¹ Cost paid less acquired cash and cash equivalents.

² Relates to the acquisition of the assets and liabilities of Bisnode, with a remaining purchase price of MSEK 1.6.

Note 5

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 key figures are given, as they provide more in-depth information than the measures defined in the regulations. The alternative key figures 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 performance measures in accordance with IFRS, or as an alternative to cash flow as a measure of our liquidity.



Performance measures	Definition/explanation of information value and purpose Calculation Jan-Jun 2019	
Net profit/loss	Provides a more nuanced and in-depth understanding of profit development	
Operating margin, %	Operating profit/income	$(51.8/532.2)*100=9.7$
Profit margin, %	Profit/loss before tax/income	$(50.7/532.2)*100=9.5$
EBITDA margin, %	Operating profit before depreciation and amortisation/income	$(69.6/532.2)*100=13.1$
Profitability, equity, %	Profit for the 12-month period/average equity over 5 quarters	$(53166/(1337760/5))*100=19.9$
EBITDA, MSEK	Operating profit before depreciation and amortisation	$51.8+17.8=69.6$
Sales	Provides a more in-depth insight into the distribution of sales	
Sales of consultancy services, MSEK	Income from consultancy services	251
Sales of agreement services, MSEK	Income from agreement services	187
Sales of services for invoices to third parties, MSEK	Income from services for invoices to third parties	43
Sales of invoices to third parties, other, MSEK	Income from invoices to third parties, other	39
Sales of licences, MSEK	Income from licences	11
Sales of hardware, MSEK	Income from hardware	1
Sales per employee, TSEK	Income/number of employees on average	$(532.2/444)*1,000=1,199$
Financial position	Provides a good overview of total liquidity and solvency	
Equity/assets ratio, %	Total equity/total equity and liabilities	$257.7/424.9*100=61$
Unutilised credit lines, MSEK	Available but unutilised overdraft facilities	23
Total liquidity, MSEK	Cash and cash equivalents plus unutilised credit lines	$81+23=104$
Employees	Provides a summary of changes in staff	
Average during the period	Number of employees on average	444
Number at the end of the period	Number of employees	447
Number of structural dismissals during the period	Number of structural dismissals	3

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 offices of Per Adolfsson on 23 October 2019 at 8.00am (CET). This report along with other information about Softronic AB is available at www.softronic.se.



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