

JANUARY-SEPTEMBER 2018

- **Sales increased by 15.6 % to MSEK 544.1 (MSEK 470.5)**
- **EBITDA increased to MSEK 55.1 (MSEK 50.4)**
- **Profit before tax increased by 15.0 % to MSEK 49.7 (MSEK 43.2)**
- **Profit margin before tax amounted to 9.1 % (9.2 %)**
- **Profit for the period after tax increased by 13.9 % to MSEK 38.6 (MSEK 33.9)**
- **Profit for the period after tax per share, before and after dilution, increased to SEK 0.73 (SEK 0.64)**
- **Cash flow from operating activities increased to MSEK 49.3 (MSEK 37.2)**
- **Total liquidity amounted to MSEK 119**
- **The equity/assets ratio amounted to 68 % (68 %)**

THIRD QUARTER 2018

- **Sales increased by 10.3 % to MSEK 157.4 (MSEK 142.7)**
- **EBITDA amounted to MSEK 12.3 (MSEK 16.8)**
- **Profit before tax amounted to MSEK 11.1 (MSEK 14.3)**
- **Profit margin before tax amounted to 7.1 % (10.0 %)**
- **Profit for the period after tax amounted to MSEK 8.5 (MSEK 11.3)**
- **Profit for the period after tax per share, before and after dilution, amounted to SEK 0.16 (SEK 0.21)**
- **Cash flow from operating activities amounted to MSEK 11.9 (MSEK 10.0)**

SIGNIFICANT BUSINESS EVENTS

IN THE THIRD QUARTER

- **A new CEO at Softronic**
- **Softronic has signed an agreement to supply services and support to Tele2 Sverige AB**
- **Softronic has signed a new five-year agreement with Inera AB for 1177 Contact Centre**
- **Softronic has signed a two-year framework agreement with the Swedish Tax Agency, which includes IT infrastructure**
- **Softronic has signed a three-year agreement with FASAB for the delivery of IT-related services**

EARLIER IN THE YEAR

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

SOFTRONIC

INTERIM REPORT
for the period
1 January – 30 September
2018

Third Quarter 2018 – Organic growth remains high and stable

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 high and stable. 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.

The demand in Stockholm, Softronic's largest market, remains high. The downside is higher costs and staff turnover.

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 growth.

Over the past year, Softronic has secured a number of major new deals. New deals normally require time to set everything up, resulting in lower profitability in the start-up period. It usually takes around one year to achieve a normal level of volume and profitability for major new customers.

Despite this, sales in the third quarter increased by 10.3%, amounting to MSEK 157.4 (MSEK 142.7). All of this growth is organic.

Sales per employee during this quarter increased from SEK 324,000 to SEK 349,000. The number of employees increased on average in the third quarter from 440 to 451.

Chargeability Chargeability fell slightly, while staff costs have increased. This is because new employees in Stockholm receive higher salaries than those who worked for the operations that were sold in Norrland.

Altogether this meant that profit before tax for the quarter amounted to MSEK 11.1 (MSEK 14.3), the profit margin amounted to 7.1 % (10.0 %) and the EBITDA margin amounted to 7.8 % (11.8 %).

Cash flow from operating activities amounted to MSEK 11.9 (MSEK 10.0) in the third quarter.

Sales in the period from January to September increased by 15.6 % to MSEK 544.1 (MSEK 470.5) Profit before tax increased to MSEK 49.7 (MSEK 43.2) Cash flow from operating activities increased to MSEK 49.3 (MSEK 37.2) Profit margin for the period January to September stood at 9.1 % (9.2 %).

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

The Board of Softronic has decided to appoint Per Adolfs-son as the new CEO, starting from 1 January 2019. Anders Eriksson, Softronic's founder and CEO for 34 years, is retiring as CEO on 31 December 2018, but will remain on the company's Board.

Softronic has signed an agreement to supply services and support to Tele2 Sverige AB. This work will initially involve deliveries to Sweden, the Baltic countries and the Netherlands.

Softronic AB has signed a new agreement with Inera AB to remain the contact centre supplier of 1177 Healthcare Guide by phone. This is a national telephone number for healthcare advice that people can call 24 hours a day.

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.

Softronic and FASAB 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.

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".

Liquidity

The Group had MSEK 96 in cash and cash equivalents as of 30 September 2018. The total liquidity comprising cash and cash equivalents, as well as granted but unutilised credit lines, amounted to MSEK 119.

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 450 employees at offices in Stockholm, Gothenburg, Malmö, Sundsvall and Arjeplog. Softronic is listed on the NASDAQ Stockholm Small Cap.

OTHER

Reports 2019

Year-end report 2018, 20 February

Annual Report 2018, 12 April

Interim Report (Jan-March), 8 May

Annual General Meeting 2019, 8 May, 17.30 at the company's premises

Interim Report (Apr-June), 18 July

Interim Report (Jul-Sep), 23 October

Information about the interim report

Anders Eriksson, Chief Executive Officer

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Softronic AB (publ), CIN 556249-0192

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, 25 October 2018.

Anders Eriksson, Chief Executive Officer

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

Auditor's report on the review of summary interim financial information (interim report) prepared in accordance with IAS 34 and Chapter 9 of the Swedish Annual Accounts Act.

Introduction

We have reviewed the summary interim financial information (interim report) of Softronic AB (publ) as of 30 September 2018 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, 25 October 2018

PricewaterhouseCoopers AB

Nicklas Kullberg
Authorised public accountant

**SUMMARY CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME MSEK**

	2018	2017	2018	2017	2017
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	full year
Revenue	157.4	142.7	544.1	470.5	657.0
Goods for resale and other invoiced expenses	-52.8	-40.6	-171.4	-133.7	-188.4
Other external expenses	-12.4	-12.8	-38.4	-41.1	-54.5
Personnel costs	-79.9	-72.5	-279.2	-245.3	-338.6
Depreciation, tangible assets	-1.3	-2.6	-5.6	-7.3	-8.9
Operating profit/loss	11.0	14.2	49.5	43.1	66.6
Net financial income/expense	<u>Note 2</u>	0.1	0.1	0.2	0.4
Profit/loss before tax	11.1	14.3	49.7	43.2	67.0
Tax	-2.6	-3.0	-11.1	-9.3	-15.2
PROFIT/LOSS FOR THE PERIOD	8.5	11.3	38.6	33.9	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	8.5	11.3	38.6	33.9	51.8
Minority share of Profit/loss for the period and Comprehensive income	0	0	0	0	0
Profit/loss for the period attributable to the Parent Company shareholders	8.5	11.3	38.6	33.9	51.8
Comprehensive income attributable to the Parent Company shareholders	8.5	11.3	38.6	33.9	51.8
Profit for the period per share, basic, SEK	<u>Note 1</u>	0.16	0.21	0.73	0.98
Profit for the period per share, diluted, SEK	<u>Note 1</u>	0.16	0.21	0.73	0.98

**SUMMARY CONSOLIDATED BALANCE SHEET
MSEK**

	30/09/2018	30/09/2017	31/12/2017
ASSETS			
Goodwill	<u>Note 4</u>	109.3	109.3
Other intangible assets	<u>Note 4</u>	4.5	6.0
Property, plant and equipment	9.1	11.7	11.3
Total fixed assets	122.9	127.0	126.0
Receivables, etc.	161.3	158.0	173.8
Cash and cash equivalents	96.5	69.5	87.7
Total current assets	257.8	227.5	261.5
TOTAL ASSETS	380.7	354.5	387.5
EQUITY AND LIABILITIES			
Equity	257.2	240.2	258.1
Deferred tax liabilities	1.7	1.8	1.9
Other provisions	1.6	0.7	-
Current liabilities, non-interest-bearing	120.2	111.8	127.5
TOTAL EQUITY AND LIABILITIES	380.7	354.5	387.5

SUMMARY CONSOLIDATED EQUITY

	2018 Jan-Sep	2017 Jan-Sep	2017 full year
Total equity, MSEK			
Opening balance	258.1	232.6	232.6
Comprehensive income for the period	38.6	33.9	51.8
Dividends	-39.5	-26.3	-26.3
Closing balance	257.2	240.2	258.1

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

CONSOLIDATED CASH FLOW STATEMENT

Summary, MSEK	<u>Note 3</u>	2018 Jul-Sep	2017 Jul-Sep	2018 Jan-Sep	2017 Jan-Sep	2017 full year
Cash flow from operating activities						
before changes in working capital		6.6	10.7	37.1	36.9	67.0
Changes in working capital		<u>5.3</u>	<u>-0.7</u>	<u>12.2</u>	<u>0.3</u>	<u>-10.3</u>
Cash flow from operating activities		11.9	10.0	49.3	37.2	56.7
Cash flow from investing activities		-0.3	-1.2	-0.9	-3.7	-5.0
Cash flow from financing activities		-0.1	0.0	-39.6	-26.3	-26.3
CASH FLOW FOR THE YEAR/PERIOD		11.5	8.8	8.8	7.2	25.4
Cash and cash equivalents at the beginning of the year/period		85.0	60.7	87.7	62.3	62.3
Cash and cash equivalents at the end of the year/period		96.5	69.5	96.5	69.5	87.7
Cash flow from operating activities per share, basic, SEK. <u>Note 1</u>		0.23	0.19	0.94	0.71	1.08
Cash flow from operating activities per share, after dilution, SEK. <u>Note 1</u>		0.23	0.19	0.94	0.71	1.08

ALTERNATIVE PERFORMANCE MEASURES GROUP, for definitions, see Note 5

Profit		2018 Jul-Sep	2017 Jul-Sep	2018 Jan-Sep	2017 Jan-Sep	2017 full year
Profit per share, basic/diluted, SEK	<u>Note</u>	0.16	0.21	0.73	0.64	0.98
EBITDA, MSEK		12.3	16.8	55.1	50.4	75.5
EBITDA margin, %		7.8	11.8	10.1	10.7	11.5
Operating margin, %		7.0	10.0	9.1	9.2	10.1
Profit margin, %		7.1	10.0	9.1	9.2	10.2
Profitability, equity, %		22.1	19.4	22.1	19.4	21.5

Sales		2018 Jul-Sep	2017 Jul-Sep	2018 Jan-Sep	2017 Jan-Sep	2017 full year
Net sales, MSEK		157	143	544	471	657
Sales of consultancy services, MSEK		121	113	419	374	519
Sales of goods, etc., MSEK		36	30	125	97	138
Sales per employee, TSEK*		349	324	1,191	1,072	1,490

Financial position		30/09/2018	30/09/2017	31/12/2017
Equity, MSEK		257	240	258
Equity/assets ratio, %		68	68	67
Cash and cash equivalents, MSEK		97	70	88
Unutilised credit lines, MSEK		23	23	23

ALTERNATIVE PERFORMANCE MEASURES GROUP, for definitions, see Note 5

Employees	2018 Jul-Sep	2017 Jul-Sep	2018 Jan-Sep	2017 Jan-Sep	2017 full year
Average during the period*	451	440	457	439	441
Number at the end of the period*	447	450	447	450	445
Number of structural dismissals	3	1	4	5	6

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

Development per quarter	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17	Q1/18	Q2/18	Q3/18
Net sales, MSEK	128.6	163.5	160.8	167.0	142.7	186.5	187.3	199.4	157.4
Profit/loss for the period before tax, MSEK	9.0	14.9	12.1	16.8	14.3	23.8	18.0	20.6	11.1
Profit margin before tax, %	7.0	9.1	7.5	10.1	10.0	12.8	9.6	10.3	7.1

PARENT COMPANY'S SUMMARY PROFIT AND LOSS ACCOUNT				PARENT COMPANY'S SUMMARY BALANCE SHEET			
MSEK	2018 Jan-Sep	2017 Jan-Sep	2017 full year	MSEK	30/09/2018	30/09/2017	31/12/2017
Revenue	544	465	664	ASSETS			
Costs	-494	-419	-654	Fixed assets	44	209	207
Operating profit/loss	50	46	10	Current assets	243	208	248
Net financial income/expense	2	-	-	TOTAL ASSETS	287	417	455
Appropriations*	-	-	7	EQUITY AND LIABILITIES			
Profit/loss before tax	52	46	17	Equity	147	179	145
Tax	-11	-10	-16	Other provisions	2	1	-
NET PROFIT	41	36	1	Current liabilities, non-interest-bearing	138	237	310
				TOTAL EQUITY AND LIABILITIES	287	417	455
*net Group contributions paid/received							
PARENT COMPANY'S SUMMARY CASH FLOW STATEMENT							
MSEK	2018 Jan-Sep	2017 Jan-Sep	2017 full year				
Cash flow from operating activities	50	37	57				
Cash flow from investing activities	-1	-4	-5				
Cash flow from financing activities	-39	-26	-26				
CASH FLOW FOR THE YEAR/PERIOD	10	7	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	96	67	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, except for what is stated about IFRS 15 and 9 below.

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. Quantifying is under way in accordance with IFRS 16 and the information will be presented in the year-end report for 2018. 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 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-Sep	2017 Jan-Sep	2017 full year
Net investments in equipment	-0.5	-3.7	-4.4
Business combinations	-0.4	-	-0.6
Total:	-0.9	-3.7	-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-Sep	2017 Jan-Sep	2017 full year
Total cost	2.0	-	-
Amounts paid in respect of previous acquisitions	-	-	0.6
Less unpaid portion	-1.6	-	-
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	-1.6	-	-
	0.4	0.0	0.6
Total cash flow attributable to acquisitions ¹	-0.4	0.0	-0.6

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 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-Sep 2018
Profit	Provides a more nuanced and in-depth understanding of profit development	
Operating margin, %	Operating profit/income	$(49,5/544,1)*100=9,1$
Profit margin, %	Profit before tax/income	$(49,7/544,1)*100=9,1$
EBITDA margin, %	Operating profit before depreciation and amortisation/income	$(55,1/544,1)*100=10,1$
Profitability, equity, %	Profit for the 12-month period/average equity over 5 quarters	$(56472/(1276358/5))*100=22,1$
EBITDA, MSEK	Operating profit before depreciation and amortisation	$49,5+5,6=55,1$
Sales	Provides a more in-depth insight into the distribution of sales	
Sales of consultancy services, MSEK	Income for consultants, including agreement income	419
Sales of goods, etc., MSEK	Income for hardware, licences and invoices to third parties	125
Sales per employee, TSEK	Income/number of employees on average	$(544,1/457)*1\ 000=1191$
Financial position	Provides a good overview of total liquidity and solvency	
Equity/assets ratio, %	Total equity/total equity and liabilities	$257,2/380,7*100=68$
Unutilised credit lines, MSEK	Available but unutilised overdraft facilities	23
Total liquidity, MSEK	Cash and cash equivalents plus unutilised credit lines	$96+23=119$
Employees	Provides a summary of changes in staff	
Average during the period	Number of employees on average	457
Number at the end of the period	Number of employees	447
Number of structural dismissals during the period	Number of structural dismissals	4

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 25 October 2018 at 08.00 (CET). This report and additional information about Softronic AB are available at www.softronic.se.

