



Accounts Announcement



FOR THE PERIOD:

1 January–31 December

2019

Significant business events

In the fourth quarter

- » Softronic and FASABF6 have signed an LOI concerning extension of ongoing undertakings relating to operation and IT workstations
- » Softronic is a leader at creating customer satisfaction in Sweden according to an audit by Radar

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.

Fourth quarter 2019

- » Sales amounted to MSEK 187.8 (MSEK 193.1)
- » EBITDA increased to MSEK 27.4 (MSEK 19.9)
- » Profit before tax increased to MSEK 21.4 (MSEK 18.6)
- » Profit margin before tax increased to 11.4 % (9.6 %)
- » Profit for the period after tax increased to MSEK 16.4 (MSEK 13.7)
- » Profit for the period after tax per share, before and after dilution, increased to SEK 0.31 (SEK 0.26)
- » Cash flow from operating activities amounted to MSEK 41.4 (MSEK 16.1)

Full year 2019

- » Sales amounted to MSEK 720.0 (MSEK 737.2)
- » EBITDA increased to MSEK 97.0 (MSEK 75.0)
- » Profit before tax increased to MSEK 72.1 (MSEK 68.3)
- » Profit margin before tax increased to 10.0 % (9.3 %)
- » Profit for the period after tax increased to MSEK 55.8 (MSEK 52.3)
- » Cash flow from operating activities increased to MSEK 76.4 (MSEK 65.4)
- » Total liquidity amounted to MSEK 104
- » The equity/assets ratio amounted to 60 % (66 %).
- » The Board of Directors proposes a dividend of SEK 1.00 per share (SEK 1.00).



Q4 2019 – a good end to the year

The positive trend with improved profit levels continued in the fourth quarter as well. Profit before tax increased from 18.6 million to 21.4 million compared with the same period last year, which represents an increase of 15%. The trend continued in terms of sales as well, but here we saw a slight decline compared with 2018. Sales fell by 2.7% in Q4. The explanation for this is what we already saw earlier in the year, where areas with good sales but low margins have been partly replaced by business offering better profitability levels.

If we consider 2019 as a whole, the picture is similar but with a fairly marked difference between the two halves of the year in terms of profit. For the full year, sales fell by 2.3% while profit rose by 5.6%, and the profit level reached our interim target of 10%. However, profit for the first six months of the year was slightly lower than in 2018 (-4.4%). This can be compared with the second six months of the year, when profit increased by 18.5% compared with the previous year; a positive sign for the future.

As things stand at present, we are seeing no clear signs of a general slowdown in our area, "IT and digitisation creating operational benefit", but we are still vigilant given the general economic trends being described and discussed in the media. Moreover, it is apparent that we will have to deal with slight changes to a couple of our major customers in early 2020. The outbreak of coronavirus in China and potential spread are of course something we need to monitor carefully as well. However, we will probably not see any impact on travel, trade, etc. except indirectly, given our customer base, which to only a lesser extent involves industrial and commercial companies dependent on exports.

Throughout the year, to queue the latter part, we have invested major resources in developing our offering with regard to turnkey solutions. Compared with other companies in the field, our primary strength lies in our understanding of the underlying business and their requirements, as well as the ability and willingness to take overall responsibility for services and commitments. This is applicable to

infrastructure operation, application administration and development and other matters, but also complete services in the form of what are known as SaaS services. Container-based operation with associated automation, continuous delivery of new functionality with the assistance of DevOps and services for the secure development and delivery of applications are some of the areas in which we are maintaining our cutting-edge position. Overall, this means that new functionality can reach our customers' users and customers more quickly. By way of example, we have extended our cooperation with one of our major customers for 3+2 years. We will be restructuring their present IT environment from the ground up, making full use of technical cutting-edge solutions.

FASAB is another example of an area in which our expertise relating to our customer's business has resulted in us taking on a great deal of extended responsibility. We announced in a press release on 19 December last year that we had signed a letter of intent concerning the takeover of administration, application support, application operation and further development of FASAB's PUMA membership system, which is progressing at a tremendous pace. We are also investing in further development of our AI offering, focusing primarily on what are known as chatbots, or digital workers. We have won a number of new customers in this field over the latter part of the year, including a public procurement procedure for Lantmäteriverket, the National Land Survey of Finland. We are also supplementing this field with expertise in RPA (Robot-based Process Automation), which can be described as the equivalent to the chatbot for internal processes and systems. We have obtained certification for 11 consultants on the RPA tool NICE, which makes us Sweden's biggest player for that platform.

We are also humbly proud of our award from Radar, which shows that Softronic is a leader when it comes to creating operational, tactical and strategic value for our customers – according to Radar's major supplier quality review. Combined with the top ranking we were awarded by EcoVadis for our CSR work (Corporate Social

Responsibility), this provides us with a firm foundation for the coming year.

Liquidity

The Group had MSEK 117 in cash and cash equivalents as of 31 December 2019. The total liquidity comprising cash and cash equivalents, as well as granted unutilised credit lines, amounted to MSEK 140.

Business events in 2019

Softronic and FASAB6F have signed an LOI in the fourth quarter concerning the takeover of administration, application support, application operation and further development of FASAB's PUMA membership system, based on MS Dynamics CRM and AX. Softronic is a leader at creating operative, tactical and strategic values for customers in 2019, according to Radar's major audit into supplier quality.

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 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.

Proposed dividend

The Board has decided to propose to the AGM a dividend of SEK 1.00 per share (the dividend decided upon in the previous year was SEK 0.75, plus an additional dividend of

SEK 0.25, totalling SEK 1.00).

The Board has observed the dividend policy when making its decision, based on the Group's liquidity requirements and investment capability. The proposed dividend is higher than the normal level set out in the dividend policy. However, this can be justified because the company's high liquidity and non-existent indebtedness allow for additional complementary acquisitions and continued organic growth.

Softronic's strong financial position contributes to the competitiveness of the company in procurements from large companies and organisations, and in the introduction of new business models as cloud services.

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 2020

- 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 (Apr-June), 17 July
- Interim Report (Jul-Sep), 22 October

Auditors' examination

This report has not been examined by the auditors

Information about the year-end report

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Softronic AB (publ), CIN 556249-0192

The Chief Executive Officer certifies that this year-end 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, 20 February 2020

Per Adolfsson, CEO

Consolidated income statement and other comprehensive income, MSEK	2019 Oct-Dec	2018 Oct-Dec	2019 full year	2018 full year
Revenue	187.8	193.1	720.0	737.2
Goods for resale and other invoiced expenses	-55.0	-58.4	-211.0	-229.8
Other external expenses	-7.9	-13.4	-32.0	-51.8
Staff costs	-97.5	-101.4	-380.0	-380.6
Depreciation, fixed assets ¹	-5.9	-1.3	-23.7	-6.9
Operating income	21.5	18.6	73.3	68.1
Net financial income/expense <i>note 2</i>	-0.1	0.0	-1.2	0.2
Profit/loss before tax	21.4	18.6	72.1	68.3
Taxes	-5	-4.9	-16.3	-16.0
Profit/loss for the period	16.4	13.7	55.8	52.3
Other comprehensive income				
<i>Items that will be reclassified to profit or loss</i>				
Translation differences	0.0	0.0	0.0	0.0
Comprehensive income for the period	16.4	13.7	55.8	52.3
Profit/loss for the period attributable to the Parent Company's shareholders	16.4	13.7	55.8	52.3
Comprehensive income attributable to the Parent Company's shareholders	16.4	13.7	55.8	52.3
Profit for the period per share, basic, SEK <i>note 1</i>	0.31	0.26	1.06	0.99
Profit for the period per share, diluted, SEK <i>note 1</i>	0.31	0.26	1.06	0.99

¹of which depreciation for leasing for Q4 2019 is MSEK -5 and for Jan–Dec 2019 is MSEK -19; this affects the performance measure EBITDA 2019

Summary of Balance Sheet

Group, MSEK		2019-12-31	2018-12-31
ASSETS			
Goodwill	note 4	109.3	109.3
Other intangible assets	note 4	2.2	4.0
Other non-current receivables		2.4	2.5
Right-of-use asset		38.8	-
Property, plant and equipment		5.6	8.3
Total fixed assets		158.3	124.1
Receivables, etc.		178.5	174.9
Liquid assets		117.2	113.0
Total current assets		295.7	287.9
Total assets		454.0	412.0
EQUITY AND LIABILITIES			
Equity		274.1	270.9
Deferred tax liabilities		1.3	1.6
Other provisions		3.8	4.1
Other current liabilities, leasing		20.3	-
Current liabilities ¹		154.5	135.4
Total equity and liabilities		454.0	412.0

¹of which the current part of the leasing liability (IFRS 16) at 31/12/2019 is MSEK19

Total summary of shareholders equity

Group, MSEK	2019 full year	2018 full year
TOTAL EQUITY		
Opening balance	270.9	258.1
Comprehensive income for the period	55.8	52.3
Dividend	-52.6	-39.5
Closing balance	274.1	270.9

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

Summary of Cash Flow Statement

Group, MSEK	2019 Oct-Dec	2018 Oct-Dec	2019 full year	2018 full year
Group, MSEK Note 3				
Cash flow from operating activities				
before changes in working capital	28.6	24.7	78.4	61.8
Changes to working capital,	12.8	-8.6	-2.0	3.6
Cash flow from operating activities	41.4	16.1	76.4	65.4
Cash flow from investing activities	-0.6	0.3	-0.8	-0.6
Cash flow from financing activities	-4.7	0.1	-71.4	-39.5
Cash flow for the year/period	36.1	16.5	4.2	25.3
Cash and cash equivalents at the start of the year/period	81.1	96.5	113.0	87.7
Cash and cash equivalents at the end of the year/period	117.2	113.0	117.2	113.0
Cash flow from operating activities per share, basic, SEK. Note 1	0.79	0.31	1.45	1.24
Cash flow from operating activities per share, after dilution, SEK. Note 1	0.79	0.31	1.45	1.24

Performance measures for the Group , Note 5		2019	2018	2019	2018
Net profit/loss		Oct-Dec	Oct-Dec	full year	full year
Profit per share, basic/diluted, SEK	note 1	0.31	0.26	1.06	0.99
EBITDA, MSEK		27.4	19.9	97.0	75.0
EBITDA margin, %		14.6	10.3	13.5	10.2
Operating margin, %		11.4	9.6	10.2	9.2
Profit margin, %		11.4	9.6	10.0	9.3
Profitability, equity, %		20.6	20.0	20.6	20.0

Sales		2019	2018	2019	2018
Sales		Oct-Dec	Oct-Dec	full year	full year
Net sales, MSEK		188	193	720	737
Sales of consultancy services, MSEK		83	94	334	356
Sales of agreements, MSEK		71	59	258	217
Invoiced to third parties, services, MSEK		14	24	57	87
Invoiced to third parties, other, MSEK		14	10	53	54
Sales of licenses, MSEK		4	4	15	15
Sales of hardware , MSEK		2	1	3	8
Other operating income, MSEK		0	0	0	0
Sales per employee, TSEK		424	438	1 625	1 631

Financial position		2019-12-31	2018-12-31
Equity, MSEK		274	271
Equity/assets ratio, %		60	66
Cash and cash equivalents, MSEK		117	113
Unutilised credit lines, MSEK		23	23

Employees		2019	2018	2019	2018
Employees		Oct-Dec	Oct-Dec	full year	full year
Average during the period		443	441	443	452
Number at the end of the period		437	438	437	438
Number of structural dismissals for the period		1	-	4	4

Development per quarter	Q4/17	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19
Net sales, MSEK	186.5	187.3	199.4	157.4	193.1	183.6	191.6	157.0	187.8
Profit/loss for the period before tax,	23.8	18	20.6	11.1	18.6	17.1	19.8	13.8	21.4
Profit margin before tax, %	12.8	9.6	10.3	7.1	9.6	9.3	10.3	8.8	11.4

Income statement summary	2019	2018
Parent Company, MSEK	full year	full year
Revenue	720	737
Costs	-709	-728
Operating income	11	9
Net financial income/expense	-	2
Appropriations*	62	61
Profit/loss before tax	73	72
Taxes	-16	-16
Net profit/loss	57	56

*net Group contributions paid/received

Summary of Balance Sheet	2019-12-31	2018-12-31
Parent Company, MSEK		
ASSETS		
Fixed assets	40	43
Non-current receivables	2	3
Current assets	288	282
Total assets	330	328
EQUITY AND LIABILITIES		
Equity	167	162
Non-current liabilities	4	5
Current liabilities, non-interest-bearing	159	161
Total equity and liabilities	330	328

Summary of Cash Flow Statement	2019	2018
Parent Company, MSEK	full year	Jan - June
Cash flow from operating activities	58	67
Cash flow from investing activities	-1	-1
Cash flow from financing activities	-53	-39
Cash flow for the year/period	4	27
Cash and cash equivalents at the start of the year/period	113	86
Cash and cash equivalents at the end of the year/period	117	113

Notes

Accounting principles and supplementary information

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

The year-end 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 31 December 2019 utilisation rights were MSEK 39 and the leasing liability was MSEK 39 (reported under other long-term liabilities as MSEK 20 and current liabilities as MSEK 19). Amortisation and depreciation have been calculated at approximately MSEK -19 (Q4 MSEK -5) and interest expense was approximately MSEK -1.5 (Q4 MSEK -0.3), 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

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	2019 full year	2018 full year
Net investments in equipment	-0.4	-0.2
Acquisition of business combinations	-0.4	-0.4
Total invested	-0.8	-0.6

Note 4

Acquisition of business combinations

No acquisitions took place in 2019.

Specification of business combinations, MSEK	2019 full year	2018 full year
Total cost	-	2.0
Less unpaid portion ²	-	-1.6
Amounts paid in respect of previous acquisitions ²	0.4	-
Total cost paid	0.4	0.4
ACQUIRED ASSETS AND LIABILITIES		
Other intangible assets ²	-	2.0
Less unpaid portion	-	-1.6
Amounts paid in respect of previous acquisitions ²	0.4	-
Total acquired	0.4	0.4
Total cash flow attributable to acquisitions¹	-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 1.2 of MSEK 2.0, MSEK 0.4 having been paid in 2019.

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. Definition of key ratios

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 full year 2019
Net profit/loss	Provides a more nuanced and in-depth understanding of profit development	
Operating margin, %	Operating profit/income	$(73.3/720.0)*100=10.2$
Profit margin, %	Profit/loss before tax/income	$(72.1/720.0)*100=10.0$
EBITDA margin, %	Operating profit before depreciation and amortisation/income	$(97.0/720.0)*100=13.5$
Profitability, equity, %	Profit for the 12-month period/average equity over 5 quarters	$(55798/(1354701/5))*100=20.6$
EBITDA, MSEK	Operating profit before depreciation and amortisation	$73.3+23.7=97.0$
Sales, MSEK	Provides a more in-depth insight into the distribution of sales	
Sales of consultancy services	Income from consultancy services	334
Sales of agreement services	Income from agreement services	258
Sales of services for invoices to third parties	Income from services for invoices to third parties	57
Sales of invoices to third parties, other	Income from invoices to third parties, other	53
Sale of licences	Income from licences	15
Sales of hardware	Income from hardware	3
Sales per employee, TSEK	Income/number of employees on average	$(720.0/443)*1,000=1,625$
Financial position	Provides a good overview of total liquidity and solvency	
Equity/assets ratio, %	Total equity/total equity and liabilities	$274.1/454.0*100=60$
Unutilised credit lines, MSEK	Available but unutilised overdraft facilities	23
Total liquidity, MSEK	Cash and cash equivalents plus unutilised credit lines	$117+23=140$
Employees	Provides a summary of changes in staff	
Average during the period, quantity	Number of employees on average	443
Number at the end of the period	Number of employees	437
Number of structural dismissals during the period	Number of structural dismissals	4

The information in this year-end 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 Adolffson on 20 February 2020 at 8.00am (CET). This report along with other information about Softronic AB is available at www.softronic.se.

