



Interim Report



FOR THE PERIOD

1 January – 30 June

2019

Significant business events

During the second quarter

- » Softronic and Kommunalarbetarnas arbetslöshetskassa (the municipal workers' unemployment fund) have entered into an IT partnership
- » Softronic has signed a framework agreement with SKL for Booking and Contribution solutions
- » 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

Earlier in the year

- » Softronic has signed a framework agreement with Läkemedelsverket (the Medical Products Agency) for the development and administration of websites

Second quarter 2019

- » Sales amounted to MSEK 191.6 (MSEK 199.4)
- » EBITDA amounted to MSEK 26.0 (MSEK 22.7)
- » Profit before tax totalled MSEK 19.8 (MSEK 20.6)
- » Profit margin before tax was 10.3 % (10.3 %)
- » Profit for the period after tax totalled MSEK 15.5 (MSEK 16.1)
- » Profit for the period after tax per share before and after dilution was SEK 0.29 (SEK 0.31)
- » Cash flow from operating activities was MSEK 19.1 (MSEK 6.9)

January – June 2019

- » Sales amounted to MSEK 375.2 (MSEK 386.7)
- » EBITDA was MSEK 49.4 (MSEK 42.8)
- » Profit before tax totalled MSEK 36.9 (MSEK 38.6)
- » Profit margin before tax was 9.8 % (10.0 %)
- » Profit for the period after tax totalled MSEK 28.9 (MSEK 30.1)
- » Profit for the period after tax per share before and after dilution was SEK 0.55 (SEK 0.57)
- » Cash flow from operating activities was MSEK 24.9 (MSEK 37.4)
- » Total liquidity amounted to MSEK 99
- » The equity/assets ratio amounted to 57 % (62%).



Q2 2019 – stable with good profitability

The second quarter of 2019 shows minor changes in earnings, compared with the corresponding period for the previous year. Sales came in at just under MSEK 192, which was a little under 4 % lower than the second quarter of 2018, and profit was MSEK 19.8, corresponding to a margin of 10.3%. This is unchanged in relation to the previous year's 10.3 %, but thanks to the greater sales volumes last year, Q2 2018 generated a profit of MSEK 20.6. The difference can primarily be explained having by twelve fewer available hours this year, which corresponds to some MSEK 3 in terms of both sales and earnings. A more revealing factor than the number of hours is the positive change in the revenue mix that we are witnessing, where the share of service revenues is increasing, while re-selling, which fundamentally has lower margins, is falling.

For the first six months of the year, the situation looks very similar. Sales for the year totalled MSEK 375 compared with the previous year's MSEK 387, and operating profit was MSEK 37.6 compared to MSEK 38.5.

The market remains strong, although growth rates are quite modest, and some interesting trends have emerged. The most noticeable of these in recent times has been the large corporate deals that have

been concluded in the area. The largest local deal is of course Tieto's acquisition of Evry, but CGI's takeover of Acando and now more recently CAP's acquisition of French Altran also show that many operators are experiencing difficulties in driving organic growth which makes acquisitions a natural choice. I am frequently asked if we are experiencing this as a threat, but on the contrary I have to say that I think the trend benefits us. On the one hand, these major acquisitions usually generate a little turbulence, but above all I am not convinced at all that all customers see the benefits of their chosen supplier being taken over, or that they are seen as relatively smaller as a customer as a result.

Another interesting phenomenon, which could be a general trend, or is perhaps most evident in the size segment which includes the lion's share of our customers, is that we see the number of sourcing transactions on the rise. In the spring, we have seen a substantial rise in the form of inquiries from existing customers as well as from those that are completely new to us. In addition to this, we also see that things are starting to happen when it comes to moving to the public cloud. There is no major movement as yet, but a sufficient amount of people are seriously planning to move as much as possible to the public cloud to make it feel like a change is in the air.

When it comes to the consultancy arm of the business, the trend we have seen for some time now is continuing, where the demand for specialised resources remains unchanged, while inquiries of a more general-oriented nature are falling. The latter part may be the result of GDPR, where the dramatically decreasing demand there may have freed up enough general project managers and similar with the effect that demand is perceived overall to be falling. We also see more and more signs that customers are demanding cohesive teams as an alternative to individual resources. See examples from one of our major customers below.

Liquidity

The Group had MSEK 76 in cash and cash equivalents as of 30 June 2019. The total liquidity comprising cash and cash equivalents, as well as granted but unutilised credit lines, amounted to MSEK 99.

Business events in 2019

Softronic has signed a framework agreement with SKL for Booking and Contribution solutions in the quarter.

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 arbetslöshetsskassa (the municipal workers' unemployment fund) have entered into an IT partnership.

Earlier this year, Softronic entered into 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.

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.

Stockholm 18 July 2019

Per Adolfsson, CEO

Anders Eriksson, Chairman of the Board

Petter Stillström, Board Member

Stig Martín, Board Member

Britten Wennman, Board Member

Victoria Bohlin, Board Member

Susanna Marcus, Board Member

Cecilia Nilsson, Board Member (employee representative)

Tomas Högström, Board Member (employee representative)

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.

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 2019

- Interim Report (July-Sept), 23 October

Auditors' examination

This report has not been examined by the auditors.

Information about the interim report

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Softronic AB (publ), CIN 556249-0192

Summary of Report on Comprehensive Income for the Group, MSEK	2019	2018	2019	2018	2018
	April-June	April-June	Jan-June	Jan-June	full year
Revenue	191.6	199.4	375.2	386.7	737.2
Goods for resale and other invoiced expenses	-55.9	-62.7	-108.2	-118.6	-229.8
Other external expenses	-8.2	-12.9	-17.4	-26.0	-51.8
Staff costs	-101.5	-101.1	-200.2	-199.3	-380.6
Depreciation, fixed assets	-5.9	-2.2	-11.8	-4.3	-6.9
Operating income	20.1	20.5	37.6	38.5	68.1
Net financial income/expense	-0.3	0.1	-0.7	0.1	0.2
Profit/loss before tax	19.8	20.6	36.9	38.6	68.3
Taxes	-4.3	-4.5	-8.0	-8.5	-16.0
Profit/loss for the period	15.5	16.1	28.9	30.1	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	15.5	16.1	28.9	30.1	52.3
Profit/loss for the period attributable to the Parent Company's shareholders	15.5	16.1	28.9	30.1	52.3
Comprehensive income attributable to the Parent Company's shareholders	15.5	16.1	28.9	30.1	52.3
Profit for the period per share, basic, SEK	0.29	0.31	0.55	0.57	0.99
Profit for the period per share, diluted, SEK	0.29	0.31	0.55	0.57	0.99

**Summary of Balance Sheet
Group, MSEK**

		30/06/2019	30/06/2018	31/12/2018
ASSETS				
Goodwill	note 4	109.3	109.3	109.3
Other intangible assets	note 4	3.1	4.9	4.0
Other non-current receivables		2.4	-	2.5
Right-of-use asset		47.5	-	-
Property, plant and equipment		6.7	9.7	8.3
Total fixed assets		169.0	123.9	124.1
Receivables, etc.		191.7	191.9	174.9
Liquid assets		75.9	85.0	113.0
Total current assets		267.6	276.9	287.9
Total assets		436.6	400.8	412.0
EQUITY AND LIABILITIES				
Equity		247.2	248.7	270.9
Deferred tax liabilities		1.4	1.8	1.6
Other provisions		3.7	1.6	4.1
Other current liabilities, leasing		28.9	-	-
Current liabilities ¹		155.4	148.7	135.4
Total equity and liabilities		436.6	400.8	412.0

¹of which current part of the leasing liability (ifrs 16) at 30/06/2019 is MSEK 19

**Summary of Cash Flow Statement
Group, MSEK, note 3**

	2019	2018	2019	2018	2018
	April - June	April - June	Jan - June	Jan - June	full year
Cash flow from operating activities					
before changes in working capital	19.3	17.0	36.5	30.5	61.8
Changes to working capital,	-0.2	-10.1	-11.6	6.9	3.6
Cash flow from operating activities	19.1	6.9	24.9	37.4	65.4
Cash flow from investing activities	0.0	-0.4	0.0	-0.6	-0.6
Cash flow from financing activities	-57.4	-39.5	-62.0	-39.5	-39.5
Cash flow for the year/period	-38.3	-33.0	-37.1	-2.7	25.3
Cash and cash equivalents at the start of the year/period	114.2	118.0	113.0	87.7	87.7
Cash and cash equivalents at the end of the year/period	75.9	85.0	75.9	85.0	113.0
Cash flow from operating activities per share, basic, SEK	note 1	0.36	0.13	0.47	1.24
Cash flow from operating activities per share, diluted, SEK	note 1	0.36	0.13	0.47	1.24

Performance measures for the Group note 5		2019	2018	2019	2018	2018
Net profit/loss		April - June	April - June	Jan - June	Jan - June	full year
Profit per share, basic/diluted, SEK	note 1	0.29	0.31	0.55	0.57	0.99
EBITDA, MSEK		26.0	22.7	49.4	42.8	75.0
EBITDA margin, %		13.6	11.4	13.2	11.1	10.2
Operating margin, %		10.5	10.3	10.0	10.0	9.2
Profit margin, %		10.3	10.3	9.8	10.0	9.3
Profitability, equity, %		19.2	23.7	19.2	23.7	20.0

Sales		2019	2018	2019	2018	2018
		April - June	April - June	Jan - June	Jan - June	full year
Net sales, MSEK		192	199	375	387	737
Sales of consultancy services, MSEK		94	100	184	194	356
Sales of agreements, MSEK		66	54	124	104	217
Invoiced to third parties, services, MSEK		14	24	30	47	87
Invoiced to third parties, other, MSEK		12	15	28	32	54
Sales of licenses, MSEK		5	5	8	8	15
Sales of hardware, MSEK		0	0	1	1	8
Other operating income, MSEK		1	1	0	1	0
Sales per employee, TSEK		425	425	847	839	1,631

Financial position		30/06/2019	30/06/2018	31/12/2018
Equity, MSEK		247	249	271
Equity/assets ratio, %		57	62	66
Cash and cash equivalents, MSEK		76	85	113
Unutilised credit lines, MSEK		23	23	23

Employees		2019	2018	2019	2018	2018
		April - June	April - June	Jan - June	Jan - June	full year
Average during the period		451	469	443	461	452
Number at the end of the period		448	460	448	460	438
Number of structural dismissals for the period		2	-	2	1	4

Summary of Income Statement for Parent Company			
MSEK	2019	2018	2018
	Jan - June	Jan - June	full year
Revenue	376	387	737
Costs	-339	-348	-728
Operating income	37	39	9
Net financial income/expense	0	2	2
Appropriations*	-	-	61
Profit/loss before tax	37	41	72
Taxes	-8	-9	-16
Net profit/loss	29	32	56

*net Group contributions paid/received

Summary of Balance Sheet for Parent Company			
MSEK	30/06/2019	30/06/2018	31/12/2018
ASSETS			
Fixed assets	41	45	43
Non-current receivables	3	-	3
Current assets	261	260	282
Total assets	305	305	328
EQUITY AND LIABILITIES			
Equity	147	138	162
Non-current liabilities	4	2	5
Current liabilities, non-interest-bearing	154	165	161
Total equity and liabilities	305	305	328

Summary of Cash Flow Statement for Parent Company			
MSEK	2019	2018	2018
	Jan - June	Jan - June	full year
Cash flow from operating activities	16	38	67
Cash flow from investing activities	0	-1	-1
Cash flow from financing activities	-53	-39	-39
Cash flow for the year/period	-37	-2	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	76	84	113

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 2018 Annual Report.

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. 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; no recalculations have therefore been made. 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 outlined in IFRS 16 has been implemented based on the forward-looking method without any historical recalculation. In the first six months of 2019, utilisation rights were MSEK 48 and the leasing liability was MSEK 48 (reported under other long-term liabilities as MSEK 29 and short-term liabilities as MSEK 19). Amortisation and depreciation have been calculated at approximately MSEK -9 (Q2 approx. MSEK -4.7) and interest expense was approximately MSEK -0.8 (Q2 approximately 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.

IFRS 9 "Financial instruments", which came into force on 1 January 2018, is not considered to have any 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 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)

Allocation of investments MSEK	2019 Jan-June	2018 Jan-June	2018 full year
Net investments in equipment	-	-0.2	-0.2
Acquisition of business combinations	-	-0.4	-0.4
Acquisition of business combinations, amounts paid for previous acquisitions	-	-	-
Total invested	0.0	-0.6	-0.6

Note 4

Acquisition of business combinations

No acquisitions were made during the first six months of 2019.

Specification of business combinations, MSEK	2019 Jan-June	2018 Jan-June	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 acquisitions ¹	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-June 2019
Net profit/loss	Provides a more nuanced and in-depth understanding of profit development	
Operating margin, %	Operating profit/income	$(37.6/375.2)*100=10.0$
Profit margin, %	Profit/loss before tax/income	$(36.9/375.2)*100=9.8$
EBITDA margin, %	Operating profit before depreciation and amortisation/income	$(49.4/375.2)*100=13.2$
Profitability, equity, %	Profit for the 12-month period/average equity over 5 quarters	$51116/(1328784/5)*100=19.2$
EBITDA, MSEK	Operating profit before depreciation and amortisation	$37.6+11.8=49.4$
Sales	Provides a more in-depth insight into the distribution of sales	
Sales of consultancy services, MSEK	Income from consultancy services	184
Sales of agreement services, MSEK	Income from agreement services	124
Sales of services for invoices to third parties, MSEK	Income from services for invoices to third parties	30
Sales of invoices to third parties, other, MSEK	Income from invoices to third parties, other	28
Sales of licences, MSEK	Income from licences	8
Sales of hardware, MSEK	Income from hardware	1
Sales per employee, TSEK	Income/number of employees on average	$(375.2/443)*1,000=847$
Financial position	Provides a good overview of total liquidity and solvency	
Equity/assets ratio, %	Total equity/total equity and liabilities	$247.2/436.6*100=57$
Unutilised credit lines, MSEK	Available but unutilised overdraft facilities	23
Total liquidity, MSEK	Cash and cash equivalents plus unutilised credit lines	$76+23=99$
Employees	Provides a summary of changes in staff	
Average during the period	Number of employees on average	443
Number at the end of the period	Number of employees	448
Number of structural dismissals during the period	Number of structural dismissals	2

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) and the Swedish Securities Market Act. This information was submitted for publication through the offices of Per Adolfsson on 18 July 2019 at 8.00 am (CET). This report along with other information about Softronic AB is available at www.softronic.se.



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