# Annual Report 2019

SOFTRONIC

## INFORMATION FOR THE SHAREHOLDERS

### 2020 ANNUAL GENERAL MEETING FOR SOFTRONIC AB (PUBL), CIN 556249-0192

The Annual General Meeting will be held at 5:30 p.m. on Wednesday 13 May 2020, at our premises at Hammarby Kaj 10A, Stockholm.

Specific notice will be given no earlier than six weeks and no later than four weeks prior to the meeting. In order to participate in the Annual General Meeting, the shareholder must a) be registered in the shareholders' register held by Euroclear Sweden AB by 07 May 2020 at the latest, and b) notify the company of his/her intention to participate, by either going to the address Softronic AB (publ) Hammarby Kaj 10A, 120 32 Stockholm, telephoning +46(0)8 51 90 90 00 or sending an e-mail to bolagsstamma@softronic.se by 08 May 2020 at the latest. Any shareholders who have registered their shares through the bank's notary department or other nominee must temporarily register the shares with Euroclear Sweden AB in their own name in well before 07 May 2020, in order to be permitted to participate in the meeting.

### PROPOSED APPROPRIATION OF PROFITS

A dividend of SEK 1.00 per share has been proposed. Should the Meeting adopt the proposal for the dividends, the preliminary record date is 15 May 2020, with estimated disbursement on 20 May. This proposal may be reviewed due to the ongoing pandemic and political decisions.

### REPORTS AND FINANCIAL INFORMATION 2020

Interim Report (Jan–March), 13 May
Interim Report (Apr–June), 17 July
Interim Report (July-Sept), 22 October

### ORDER INFORMATION

Reports and financial information are published on Softronic's website, www.softronic.se, where you can also download the annual report as a PDF.

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# 2019 Directors' Report

The Board of Directors and the Chief Executive Officer of Softronic AB (publ), CIN 556249-0192, hereby submit the annual accounts for the 2019 financial year.

**Significant events and activities**
Softronic is the parent company of a Group that has 11 Swedish subsidiaries, most of which are sub-consultants of Softronic AB (the Group structure appears in Note 9), working with IT and management. The Group's services range from advice and new development to administration and operations. Its customers are primarily medium and large Swedish companies and organisations.

The following events have occurred in the past year:

- **Softronic and FASABF6F have signed an LOI concerning the 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**
- **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.**

**Personnel and external factors**
The Group had on average 443 (452) employees in 2019. Employee turnover and salary development in the industry are high, but there has been somewhat of a slow-down. With skilled, competitive personnel as the Group's most important resource, the goal is to increase recruitment and continuously develop skills.

**Environmental work and R&D**
Softronic works on an ongoing basis with environmental issues related to both its work environment and its external environment. The company does not conduct business activities that require a licence. Softronic works continuously with the development of methods and products.

**Sustainability reporting**
Softronic's 2019 Sustainability Report is available as a separate document on the website.

**Future development**
IT and Digitalisation create operational benefits and there is good demand for them in the long term, but we remain cautious due to the general economic trends that we are seeing and that are being discussed in the world around us. It is fair to assume that we will have to deal with the reorganisations of some of our customers in 2020. The spread of Covid-19 means that many companies will find themselves in a financially strained situation, facing liquidity problems, falling sales and a negative impact on earnings in the future. Softronic is therefore working to provide short-term solutions and find long-term alternatives in the current uncertain times. The company has carried out and will continually work on analyses of how this pandemic could affect the company's operations and financial position. Softronic's assessment is that the Group will be able to deal with this situation in the long term as it has good liquidity. Softronic has a policy not to make any forecasts.

**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. For financial risks, see Note 15. There are also uncertainties related to assessments of the economy, changes to the market and competition. For a description of internal control and other corporate governance, see the Corporate Governance Report on page 24. Added to this are the risks caused by the ongoing pandemic.

**Debt/equity**
The Group had no interest-bearing liabilities as of 31 December 2019, and with very good liquidity and good cash flow there is little risk of any loans being required. The Group has established a goal to only raise loans if required when making acquisitions. The Group's financial risks are very low. The Group has no specific currency exchange exposure or complex financial instruments with risk.

**Sales and profit/loss**
Group operations are wide-ranging and are reported as one business segment; see Note 16.

Turnover for the Group in 2019 amounted to MSEK 720 (MSEK 737), the majority of which took place in Sweden.
Net turnover per employee amounts to MSEK 1.6 (MSEK 1.6). Sales of consultancy services and agreements amounted to 82% (78%) of turnover. Other sales, 18% (22%), consists of licenses and goods, plus goods and services invoiced to third parties. The Group's expenses before depreciation and amortisation amounted to MSEK 623 (MSEK 662). Personnel costs amounted to MSEK 380 (MSEK 381). Operating profit/loss before depreciation and amortisation, EBITDA, for 2019 amounted to MSEK 97.0 (MSEK 75.0).

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Income, MSEK | 720.0 | 737.2 | 657.0 | 614.7 | 601.9 |
| EBITDA, MSEK | 97.0 | 75.0 | 75.5 | 50.0 | 46.5 |
| Profit/loss before tax, MSEK | 72.1 | 68.3 | 67.0 | 42.2 | 38.6 |
| Profit margin, % | 10.0 | 9.3 | 10.2 | 6.9 | 6.4 |
| Balance sheet total, MSEK | 454 | 412 | 387 | 358 | 348 |
| Equity, MSEK | 274 | 271 | 258 | 233 | 226 |
| Liquidity | 1.9 | 2.1 | 2.1 | 1.9 | 1.9 |
| Equity/assets ratio, % | 60 | 66 | 67 | 65 | 65 |
| Avg. no. of employees | 443 | 452 | 441 | 458 | 476 |

**Parent Company**
The Parent Company's sales (through subsidiaries as sub-consultants) amounted to MSEK 720 (MSEK 738), and the operating profit for the year amounted to MSEK 11 (MSEK 9). Total cash flow in the Parent Company amounted to MSEK 4 (MSEK 27). Softronic AB is listed on NASDAQ OMX Stockholm.

**Financial position and investments**
A dividend of SEK 0.75 per share plus an additional SEK 0.25, giving a total of SEK 1.00 in 2019; this reduces the cash available by MSEK 53.
The Group's cash and cash equivalents amounted to MSEK 117 (MSEK 113).
The total liquidity as of 31 December 2019, including unutilised credit lines, amounted to MSEK 140 (MSEK 136).
Total cash flow in the Group in 2019 amounted to MSEK 4 (MSEK 25). Cash flow from operating activities amounted to MSEK 76 (MSEK 65). Investment activities provided a cash flow of MSEK -1 (MSEK -1). Cash flow from financing activities amounted to MSEK -71 (MSEK -40). Asset items goodwill, other intangible assets and deferred tax asset/liability amount to MSEK 110 (MSEK 112). This corresponds to 40% (41%) of equity.

**The work of the Board of Directors**
At the Annual General Meeting in May 2019, four Board members were re-elected and two members were newly appointed. The Board of Directors also includes two employee representatives nominated by the members of the trade union club.
The work of the Board of Directors also requires the involvement of the COO and the CFO and, in certain cases, Business Area Managers. Eight Board meetings were held in 2019 and all members except one that were elected at the Annual General Meeting participated in all of the meetings. Over the year, the Board has discussed strategic issues with regard to the organisation and business acquisitions. The rules of procedure for the Board, together with instructions for the division of work between the Board and the Chief Executive Officer, are established in advance by the Board for one year at a time, starting and ending with the Annual General Meeting. The company has a nomination committee that consists of four people. The nomination committee should serve as

a channel through which individual shareholders can communicate their proposals for the composition of the Board and ensure that these proposals are taken into consideration well in advance of the Annual General Meeting.

**Remuneration to senior executives**
The company also has a remuneration committee, consisting of two external ordinary Board members. The responsibility of the remuneration committee is to prepare well thought-out contracts with the Chief Executive Officer and other senior executives. According to the resolution at the latest annual general meeting, the guidelines for remuneration to senior executives state that all remuneration (basic salary, variable salary, pension and other benefits) must be competitive and allow qualified senior executives to be recruited and retained. No additional benefits are offered and no senior executives have stock options or convertible bonds from the company. The Board has the right to deviate from the guidelines in individual cases if special grounds exist. Variable pay is always related to quantitative targets. The Chief Executive Officer's pension is a defined contribution plan. The general ITP pension plan or individual solutions at equivalent levels apply to other personnel. The notice period for the CEO is six months if he/she resigns; and 12 months if it is the company's decision. The notice period for the other members is three to 12 months. The company's elected Board members should be able to be remunerated on market terms for services within their respective areas of expertise not covered under Board work.

The Board proposes that the AGM on 13 May 2020 pass a resolution on guidelines for remuneration and other employment terms and conditions for senior executives, which will be valid until 2024 unless they need to be revised before then. These guidelines cover the CEO and others in the company management team. The guidelines must contribute to the company's business strategy, long-term interests and sustainability as described on the website www.softronic.se.

The Remuneration Committee comprises two external members whose main tasks are to prepare the Board's decisions on issues relating to remuneration policies, remuneration and other employment terms and conditions for company management. The Remuneration Committee must monitor and evaluate programmes for variable remuneration for company management that are ongoing or that have been completed during the year. They must also monitor and evaluate the application of the guidelines for remuneration for company management. The general meeting must pass a resolution on these guidelines, as well as the relevant remuneration structures and remuneration levels at the company. The Board must prepare proposals for new guidelines at least every four years and these must be passed by a resolution at the Annual General Meeting. The CEO and other people in the company management team, where appropriate, do not attend the discussions and decision-making of the Board on issues relating to remuneration.

The guidelines for remuneration to senior executives state that all remuneration (basic salary, variable salary, pension and other benefits) must be competitive and allow qualified senior executives to be recruited and retained. No additional benefits are offered and no senior executives have stock options or convertible bonds from the company. The Board has the right to deviate from the guidelines in individual cases if special grounds exist. Variable pay is always related to quantitative targets. The Chief Executive Officer's pension is a defined contribution plan. The general ITP pension plan or individual solutions at equivalent levels apply to other personnel. The notice period for the CEO is six months if he/she resigns; and 12 months if it is the company's decision. The notice period for the other members is three to 12 months. The company's elected Board members should be able to be remunerated on market terms for services within their respective areas of expertise not covered under Board work.

Pay and employment terms and conditions for the company's employees have been taken into consideration when preparing these remuneration guidelines. The information about the employees' total remuneration, the components in this remuneration, and the increase and rate of increase of the remuneration have been included in the decision-making data of the Remuneration Committee and the Board when evaluating the reasonableness of the guidelines and the restrictions that follow as a result. The remuneration report that is produced about paid and outstanding remuneration that is covered by these guidelines will contain information about the development of the gap between the remuneration of the company management team and the remuneration of the other employees.

The guidelines described above may be rejected by the Board if there are special reasons to do so in an individual case, and a deviation is required to meet the long-term interests and sustainability of the company or to ensure the company's financial viability.

The proposal reflects to all intents and purposes the guidelines that were approved at the AGM in 2019.

**Largest owners**
The three largest owners in terms of percentage of votes and capital are Anders Eriksson & family & companies (33.8% of the votes and 21.3% of the capital), AB Traction (20.4% of the votes and 22.0% of the capital) and Stig Martín & companies (14.8% of the votes and 8.1% of the capital). A list of the ten largest owners is available in the Corporate Governance Report.

**Authorisation from Annual General Meeting**
The 2019 Annual General Meeting renewed the Board's authorisation to decide on the acquisition of up to 10% of the company's shares, plus its authorisation to decide on the issue of new shares equivalent to 10% of the share capital.

**Pre-emption right for A shares**
In accordance with the Articles of Association, any A shares transferred to an individual who was not previously an A shareholder in the company will promptly be offered to owners of Class A shares for redemption via written notice to the company's Board. Acquisition of the shares must be verified and details must also be provided about the purchase price when ownership has been transferred through purchase. Further information on the pre-emption clause is available in the Articles of Association, which are published on the company website. Other than what is set out in the Articles of Association, the company knows of no agreements or contracts between shareholders that could result in any limitations on transferring shares. In Softronic's Articles of Association, there is no limit to how many votes each shareholder may cast.

**Nomination committee**
Petter Stillström, Traction, Chair of the Nomination Committee
Andreas Eriksson, represents Anders Eriksson and related parties
Åsa Nisell, Swedbank Robur Fonder AB
Stig Martín, Board member, own holdings

**Remuneration committee**
Petter Stillström, Board member
Anders Eriksson, Board member (Chair)

**Proposed appropriation of profits, Note 23**

The following amounts are at the disposal of the Annual General Meeting (SEK):

| | |
|---|---|
| Profit carried forward | 58,976,167 |
| Share premium reserve | 27,429,316 |
| Profit/loss for the year | 57,325,668 |
| | **143,731,151** |

The Board and the Managing Director propose the following appropriation (SEK):

| | |
|---|---|
| Dividend (52,632,803 shares at SEK 1.00 each) | 52,632,803 |
| Brought forward | 91,098,348 |
| | **143,731,151** |

The Group's accumulated profit attributable to the Parent Company shareholders amounts to TSEK 209,078 (TSEK 205,879).

**Proposed dividend**
The Board of Directors has decided to propose a dividend of SEK 1.00 per share to the Annual General Meeting. The dividend will be MSEK 52.6. The basis for the Board's decision is the dividend policy, which takes into consideration the Group's future liquidity requirements and investment ability. The company's high liquidity and low indebtedness justify the amount of the dividend. This proposal may be reviewed due to the ongoing pandemic and political decisions. See the dividend policy in Note 23.

**Approval by the Board of Directors**
The financial statements were authorised for publication by Softronic AB's Board on 31/03/2020.

# The Group's profit and loss statement and consolidated statement of comprehensive income

1 January-31 December

**GROUP**

| TSEK | NOTE | 2019 | 2018 |
|---|---|---|---|
| Revenue | 16 | 720,036 | 737,248 |
| **Operating expenses** | | | |
| **Goods for resale and other invoiced expenses** | 22 | -211,016 | -229,825 |
| Other external expenses | 1, 2 | -31,927 | -51,777 |
| Staff costs | 3 | -380,072 | -380,652 |
| Depreciation/amortisation/impairment | 7, 8.26 | -23,693 | -6,899 |
| **Operating income** | | **73,328** | **68,095** |
| Interest income and similar profit/loss items | 4 | 277 | 273 |
| Interest expenses and similar profit/loss items | 26 | -1,513 | -70 |
| **Net financial income/expense** | | **-1,236** | **203** |
| **Profit/loss before tax** | | **72,092** | **68,298** |
| Taxes | 5 | -16,294 | -15,975 |
| **PROFIT/LOSS FOR THE PERIOD** | | **55,798** | **52,323** |
| **Other comprehensive income** | | | |
| **Items that will be reclassified to profit/loss for the period** | | | |
| Translation differences | | 34 | -13 |
| **COMPREHENSIVE INCOME FOR THE PERIOD** | | **55,832** | **52,310** |
| Profit/loss for the period attributable to the Parent Company's shareholders | | **55,798** | 52,323 |
| Comprehensive income for the period attributable to the Parent Company shareholders | | **55,832** | 52,310 |
| Profit/loss for the period per share attributable to the Parent Company shareholders before and after dilution, SEK | 6 | 1.06 | 0.99 |

# The Parent Company's profit and loss statement and consolidated statement of comprehensive income

1 January-31 December

**PARENT COMPANY**

| TSEK | NOTE | 2019 | 2018 |
|---|---|---|---|
| **Operating income** | | | |
| Net sales | 16 | 720,023 | 737,603 |
| **Operating expenses** | | | |
| Goods for resale and other invoiced expenses | 22 | -621,784 | -635,304 |
| Other external expenses | 1, 2 | -49,995 | -49,001 |
| Staff costs | 3 | -33,510 | -38,432 |
| Depreciation/amortisation/impairment | 7, 8 | -3,447 | -5,568 |
| **Operating income** | | **11,287** | **9,298** |
| **Profit from financial investments** | | | |
| Profit from shares in Group companies | 9 | - | 2,032 |
| Interest income and similar profit/loss items | 4 | 272 | 274 |
| Interest expenses and similar profit/loss items | | -36 | -60 |
| **Profit/loss before appropriations** | | **11,523** | **11,544** |
| **Appropriations** | | | |
| Group contributions paid | | -401 | -736 |
| Group contributions received | | 62,714 | 61,662 |
| **Profit/loss before tax** | | **73,836** | **72,470** |
| Tax on profit/loss for the year | 5 | -16,510 | -16,182 |
| **PROFIT/LOSS FOR THE YEAR** | | **57,326** | **56,288** |

The profit/loss for the year for the Parent Company is in line with the comprehensive income.

# Consolidated Balance Sheet

31 December

| TSEK | NOTE | 2019 | 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Intangible assets | 7 | 111,485 | 113,290 |
| Other non-current receivables | | 2,443 | 2,459 |
| Right-of-use asset | 26 | 38,888 | - |
| Property, plant and equipment | 8 | 5,585 | 8,312 |
| Deferred tax asset | 5 | - | - |
| **TOTAL NON-CURRENT ASSETS** | | **158,401** | **124,061** |
| | | | |
| **CURRENT ASSETS** | | | |
| Inventories | | 60 | 199 |
| Accounts receivable | 15 | 87,874 | 102,368 |
| Tax assets | | 3,365 | 2,483 |
| Other receivables | | 3,167 | 3,191 |
| Prepaid expenses and accrued income | 10 | 83,998 | 66,718 |
| Cash and cash equivalents | 14 | 117,173 | 113,012 |
| **TOTAL CURRENT ASSETS** | | **295,637** | **287,971** |
| **TOTAL ASSETS** | | **454,038** | **412,032** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to the Parent Company shareholders** | | | |
| Share capital | | 21,053 | 21,053 |
| Other contributed capital | | 44,004 | 44,004 |
| Profit/loss brought forward and profit/loss for the year | | 209,078 | 205,879 |
| Total equity attributable to the Parent Company shareholders | | 274,135 | 270,936 |
| | | | |
| **TOTAL EQUITY** | | **274,135** | **270,936** |
| | | | |
| **LONG-TERM LIABILITIES** | | | |
| Deferred tax liabilities | 5 | 1,270 | 1,582 |
| Lease liabilities | 26 | 20,286 | - |
| Other provisions | 17 | 3,881 | 4,140 |
| **TOTAL LONG-TERM LIABILITIES** | | **25,437** | **5,722** |
| | | | |
| **CURRENT LIABILITIES** | | | |
| Accounts payable | | 39,156 | 43,536 |
| Other liabilities | 26 | 46,769 | 30,860 |
| Accrued expenses and deferred income | 11 | 68,541 | 60,978 |
| **TOTAL CURRENT LIABILITIES** | | **154,466** | **135,374** |
| **TOTAL EQUITY AND LIABILITIES** | | **454,038** | **412,032** |

# Parent Company Balance Sheet

31 December

| TSEK | NOTE | 2019 | 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| **Intangible assets** | | | |
| Goodwill | 7 | - | - |
| Customer base | 7 | 1,300 | 1,700 |
| **Property, plant and equipment** | | | |
| Equipment | 8 | 5,342 | 8,005 |
| **Financial assets** | | | |
| Shares in Group companies | 9 | 33,389 | 33,389 |
| **Non-current receivables** | | | |
| Other non-current receivables | | 2,443 | 2,459 |
| **TOTAL FIXED ASSETS** | | **42,474** | **45,553** |
| | | | |
| **CURRENT ASSETS** | | | |
| **Inventories** | | | |
| Goods for resale | | 60 | 199 |
| **Current receivables** | | | |
| Accounts receivable | 15 | 87,874 | 102,368 |
| Other receivables | | - | - |
| Prepaid expenses and accrued income | 10 | 83,225 | 66,628 |
| **TOTAL CURRENT RECEIVABLES** | | **171,099** | **168,996** |
| Cash and bank balances | 14 | 116,580 | 112,452 |
| **TOTAL CURRENT ASSETS** | | **287,739** | **281,647** |
| **TOTAL ASSETS** | | **330,213** | **327,200** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| **Restricted equity** | | | |
| Share capital (52,632,803 shares, quota value 0.40) | | 21,053 | 21,053 |
| Statutory reserve | | 1,846 | 1,846 |
| **Total restricted equity** | | **22,899** | **22,899** |
| **Non-restricted equity** | | | |
| Profit brought forward | | 58,976 | 55,321 |
| Share premium reserve | | 27,429 | 27,429 |
| Profit/loss for the year | | 57,326 | 56,288 |
| **Total non-restricted equity** | | **143,731** | **139,038** |
| **TOTAL EQUITY** | | **166,630** | **161,937** |
| | | | |
| **LONG-TERM LIABILITIES** | | | |
| Other provisions | 17 | 3,881 | 4,140 |
| **TOTAL LONG-TERM LIABILITIES** | | **3,881** | **4,140** |
| | | | |
| **CURRENT LIABILITIES** | | | |
| Accounts payable | | 39,077 | 43,474 |
| Liabilities to Group companies | | 72,962 | 69,161 |
| Tax liabilities | | 3,334 | 6,884 |
| Other liabilities | | 2,675 | 5,558 |
| Accrued expenses and deferred income | 11 | 41,654 | 36,046 |
| **TOTAL CURRENT LIABILITIES** | | **159,702** | **161,123** |
| **TOTAL EQUITY AND LIABILITIES** | | **330,213** | **327,200** |

# Equity

**GROUP**

| TSEK | Share capital | Other contributed capital | Profit brought forward and profit/loss for the year | Total equity |
|---|---|---|---|---|
| **Equity at 01/01/2018** | **21,053** | **44,004** | **193,044** | **258,101** |
| Comprehensive income for the period | | | 52,310 | 52,310 |
| Dividend | | | -39,475 | -39,475 |
| **Equity at 31/12/2018** | **21,053** | **44,004** | **205,879** | **270,936** |
| Comprehensive income for the period | | | 55,832 | 55,832 |
| Dividend | | | -52,633 | -52,633 |
| **Equity at 31/12/2019** | **21,053** | **44,004** | **209,078** | **274,135** |

Profit carried forward includes translation differences of TSEK 341 (TSEK 307).

**PARENT COMPANY**

| TSEK | Share capital | Statutory reserve | Share premium reserve | Profit/loss brought forward and profit/loss for the year | Total equity |
|---|---|---|---|---|---|
| **Equity at 01/01/2018** | **21,053** | **1,846** | **27,429** | **94,778** | **145,106** |
| Profit/loss for the year | | | | 56,288 | 56,288 |
| Dividend | | | | -39,475 | -39,475 |
| Merger difference | | | | 18 | 18 |
| **Equity at 31/12/2018** | **21,053** | **1,846** | **27,429** | **111,609** | **161,937** |
| Profit/loss for the year | | | | 57,326 | 57,326 |
| Dividend | | | | -52,633 | -52,633 |
| **Equity at 31/12/2019** | **21,053** | **1,846** | **27,429** | **116,302** | **166,630** |

# Cash flow statement

1 January-31 December

| TSEK | NOTE | GROUP 2019 | GROUP 2018 | PARENT COMPANY 2019 | PARENT COMPANY 2018 |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| Profit/loss before tax | | 72,092 | 68,298 | 73,836 | 72,470 |
| Adjustment for non-cash items | 12 | 23,884 | 6,647 | -58,709 | -57,611 |
| | | **95,976** | **74,945** | **15,127** | **14,859** |
| Income tax paid | | -17,488 | -13,152 | -20,060 | -13,399 |
| **Cash flow from operating activities before changes in working capital** | | **78,488** | **61,793** | **-4,933** | **1,460** |
| **Changes in working capital** | | | | | |
| Change in inventories | | 139 | -37 | 139 | -37 |
| Change in current receivables | | -2,762 | -4,291 | 60,611 | 56,658 |
| Change in current liabilities | | 554 | 7,902 | 1,728 | 8,567 |
| **Cash flow from operating activities** | | **76,419** | **65,367** | **57,545** | **66,648** |
| **Investment activities** | | | | | |
| Acquisition of business combinations | 13 | -400 | -400 | -400 | -400 |
| Sale of non-current assets | 8 | - | 411 | - | 411 |
| Acquisition of property, plant and equipment | 8 | -384 | -583 | -384 | -583 |
| **Cash flow from investing activities** | | **-784** | **-572** | **-784** | **-572** |
| **Financing activities** | | | | | |
| Amortisation of lease liabilities | 26 | -18,841 | - | - | - |
| Dividends paid | | -52,633 | -39,475 | -52,633 | -39,475 |
| **Cash flow from financing activities** | | **-71,474** | **-39,475** | **-52,633** | **-39,475** |
| **Cash flow for the year** | | **4,161** | **25,320** | **4,128** | **26,601** |
| Cash and cash equivalents at the beginning of the year | | 113,012 | 87,692 | 112,452 | 85,851 |
| Exchange rate differences in cash and cash equivalents | | - | - | - | - |
| **Cash and cash equivalents at the end of the year** | 14 | **117,173** | **113,012** | **116,580** | **112,452** |

| Interest paid affecting cash flow | GROUP 2019 | GROUP 2018 | PARENT COMPANY 2019 | PARENT COMPANY 2018 |
|---|---|---|---|---|
| Interest expenses paid, of which IFRS16, 31 Dec 2019 is TSEK -1,473, note 26 | -1,517 | -77 | -41 | -67 |
| Interest income received | 277 | 274 | 272 | 274 |

# Accounting and valuation policies

Softronic's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), and an interpretation from the International Financial Reporting Committee (IFRIC) that has been approved by the EC Commission for application within the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 'Supplementary Accounting Rules for Groups' has also been applied. The Parent Company applies the Swedish Annual Accounts Act and RFR 2. This means that in all material respects, the same accounting policies are applied in the Parent Company and in the Group.

**Amended accounting policies in 2019**
No new or amended standards or interpretations, except for IFRS 16, have been applied from 2019 that have had any material impact on the Group's financial statements. None of the other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2019 has had a material impact on the Group's financial statements.

IFRS 16 has been implemented using the simplified transition method with the effect being initially recognised on the adoption date, which means that the financial statements from prior periods and key performance indicators have not been restated to reflect the adoption of IFRS 16.

IFRS 16 means that right-of-use assets and non-current lease liabilities have been added as new lines in the balance sheet.  Rights-of-use and liabilities were not previously recognised in the balance sheet. Repayment to lessors was reported as a part of cash flow from operating activities. Now the amortisation of lease liabilities is reported as part of cash flow from financing activities.
The Group has applied this new standard from 1 January 2019. The Group has implemented the standard using the cumulative catch-up method, with the cumulative effect being adjusted to the opening retained earnings balance in equity at transition date. No restatement of previous years has been made.  The weighted incremental borrowing rate applied to lease liabilities recognised in the balance sheet was 3.0 per cent The Group recognises right-of-use assets and lease liabilities arising from all leases in the balance sheet, with some exceptions.  The lease liability is initially measured at the present value of the lease payments that have not been on the commencement date, discounted using the incremental borrowing rate. Softronic has opted to adopt the relief rules regarding short-term leases and agreements where the underlying asset is of a low value. These leases are instead expensed on a straight-line basis over the lease term
Deprecation of the right-of-use assets are recognised in the profit and loss account, as well as interest expenses on lease liabilities.

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 and interest expense was approximately MSEK -1.5, both recognised as external expenses for the previous year.

**Future changes to accounting principles (issued standards and interpretations not yet in force)**
A number of new or amended IFRS will come into force in the coming financial year; however, Softronic has chosen not to apply any of these standards in advance. No plans have been made to implement new items or amendments in advance that will become applicable from the financial year 2019. New or amended IFRS that will become applicable from 2020 are not considered to have any significant effect on the financial statements.

**Basis for preparing the accounts**
The accounts are based on historical cost with the exception of additional considerations, which are valued at fair value through the profit and loss statement.

**Use of estimates**
The preparation of financial statements in accordance with IFRS requires the company to make estimates and assumptions about the future. These estimates and assumptions affect the reported amounts for assets and liabilities, income and expenses, plus information about contingent assets and contingent liabilities. The estimates are made on an ongoing basis and are based on historical experiences and expectations of future events that are considered to be reasonable under current circumstances. Even if these are made based on the company's best knowledge of current events and actions, the actual result may differ from the estimates. The estimates are made, for example, for impairment analyses (see Note 7 and below under "Intangible assets" for the assessment of intangible assets, and below under "Property, plant and equipment"), the rates of completion of projects and reporting of other income (see below under "Revenue recognition"), valuations of loss assignments (see below under "Revenue recognition"), assessment of customer losses (see Note 15) and valuations of deferred tax assets (see Note 5).

**Consolidated financial statements**
The consolidated financial statements include the Parent Company, Softronic AB (publ), and its subsidiaries. A subsidiary is included in the consolidated financial statements from the date when the Parent Company has a controlling influence over the company, and is no longer included from the date when the Parent Company's controlling influence over the company ceases. Controlling influence refers to the right to form a company's financial and operative strategies, which can normally be assumed if a company directly or indirectly owns more than 50% of the votes. The consolidated financial statements have been prepared in accordance with the acquisition method.

The acquisition method means that goodwill is created when the cost exceeds the fair value of the Group's share in the acquired subsidiary's net assets at the time of acquisition. If the eventual additional consideration has been agreed, it is included in the acquisition analysis if the amount can be estimated reliably. The effects of the remeasurement of the liability related to conditional consideration are reported in profit/loss for the period. Transaction costs are expensed in the consolidated accounts.  For acquisitions that entail less than 100% ownership but where there is a controlling influence, the minority share is determined as either a proportionate share of the fair value of identifiable net assets excluding goodwill or fair value. Internal Group transactions are eliminated in the consolidated financial statements.

**Translation of foreign subsidiaries**
Foreign business is translated using the current method, where all assets and liabilities are calculated at the closing rate of exchange. All items in the profit and loss statement are calculated at the average exchange rate. Translation differences are reported under Comprehensive income. In the event of future disposal of foreign business operations, the translation differences will be transferred to the profit and loss statement.

**Receivables and liabilities in foreign currency**
Transactions in foreign currency are calculated at the rate applicable on the day of the transaction. Financial assets and liabilities expressed in foreign currencies are reported in the balance sheet, calculated at the rate applicable at the closing rate of exchange. Realised and unrealised exchange rate differences are reported in the profit and loss statement. There is no forward cover.

**Revenue recognition**
Income is reported to the extent that it is likely that the financial advantages will benefit the Group and income can be reliably calculated. Provisions are made for loss risks. The following specific criteria must also be met before income is reported:

SALE OF SERVICES
Consultancy services within IT are primarily billed on an ongoing basis, whereby revenue is recognised at the same time the work is done. Payment terms are 30–60 days.
Work done at a fixed price is reported based on the degree of completion (successive income recognition). The degree of completion is calculated as the number of work hours completed in relation to the total number of work hours estimated for each individual agreement. Work completed but not invoiced is reported as accrued income. If the invoiced amount exceeds the value of accrued income, the difference is reported as deferred income. Fixed-price work that is expected to incur a loss is offset directly, with the entire loss recognised in the period in which it can be established. Contract assets and liabilities exist as advance payments and accrued income.
For composite services that contain different components, for example, systems development, goods and licences, where the payment flows are continuous during the agreement period, these components are recognised individually where possible, and are recognised as income when the control and ownership of each component has been transferred to the purchaser.
The company has decided to apply the following practical solutions:
- For disclosures on the total amount of the transaction price distributed to the performance obligations which are unfulfilled (or partially unfulfilled) at the end of the reporting period, the company will not disclose the value related to the following exceptions:
• the performance obligation is part of an agreement with an original expected term of at the most one year, and
• the company is entitled to remuneration from a customer at an amount that directly corresponds to the value of the company's performance for the customer to date.
- the company does not expect to have any agreements where the period between delivery of the services to the customer and payment from the customer exceeds one year. As a result, the company does not adjust the transaction price based on the effects of a significant financing component.

SALE OF GOODS
Revenue is recognised when control of the good has transferred to the buyer and when the significant risks and advantages associated with ownership of the goods, primarily IT equipment, have been transferred to the purchaser and when the amount of revenue can be reliably calculated. Payment terms are 30–60 days.

SALE OF LICENCES
Income from the sale of licences (own and third party) is allocated using the straight-line approach over the entire licence period as the obligation is undertaken. Where there is no obligation and the control has transferred to the purchaser, the income is booked in the same period as the cost. Payment terms are 30–60 days.

INTEREST
Interest income is reported using the effective interest method.

**Segment reporting**
The Group's operations are considered to be a single business segment. The definition of operating segments in IFRS 8 was scrutinised in conjunction with the initial implementation of IFRS 8 in the 2009 Annual Report. The result of this review has thereafter been updated on an annual basis taking into consideration whether new or modified events or relationships required a reassessment. The Group's operations target Swedish customers, which means that most of the sales are in Sweden. The reason that more business segments have not been identified is because the business is run, managed, reported and viewed as one segment. The business is moving towards the

bundling of services, which means that it is becoming increasingly difficult to separately identify and analyse individual components. Internal pricing between Group companies is set at market price.

**Tax**
Current tax is based on each company's taxable income. Deferred tax reflects the tax effect of the difference between the values stated in the accounts and the fiscal values, plus the value of unutilised fiscal deficit. The carrying amount of deferred tax assets is tested on every balance sheet date and reduced to the extent it is no longer likely that sufficiently large taxable profit will be available in order to utilise the whole or part of the deferred tax assets.

**Borrowing costs**
Borrowing costs are charged against the profit for the period to which they refer. Within the Group, there are no "qualifying assets" for which interest expense is included in cost.

**Inventories**
Inventories are valued at the lowest of cost and fair value (net realisable value).

**Property, plant and equipment**
Property, plant and equipment are reported at cost, with deductions for accumulated depreciation and any impairment. Straight-line depreciation is applied over the useful life of the asset, which for plant and machinery is 3-5 years with regard to residual value. The carrying amount for tangible assets is tested in respect of any impairment requirement when events or changed circumstances indicate that the carrying amount may not be recoverable. If the carrying amount exceeds the recoverable amount, an impairment loss is recorded in the profit and loss statement.

**Research and development costs**
Research costs are expensed as they are incurred. The development of software and rights are primarily connected to customer assignments, whereby expensing occurs in conjunction with the assignment being recognised as revenue. Self-financed development is capitalised and is subject to depreciation if it is a sizeable amount and considered to lead to future income or reduction in costs. For the Parent Company, the costs of research and development are expensed as they are incurred.

**Intangible assets**
Intangible assets are reported at cost, with deductions for accumulated amortisation and any impairment. Straight-line depreciation is applied over the useful life of the asset, which for the customer base and software is 5 years. Goodwill is not amortised by the Group. For the Parent Company, goodwill is amortised on a straight-line basis over a period of 5 years. The value of intangible assets that are not subject to amortisation is tested annually in respect of any impairment need and when events or changed circumstances indicate that the carrying amount may not be recoverable. An impairment test is carried out for each cash-generating unit to calculate a recoverable amount, which is compared with the book value. This is then used to determine if impairment is required. The recoverable amount is first calculated from the value in use. If there are estimations of the net realisable values, these are compared with the value in use, whereby the highest amount is used. The value in use is calculated from the incoming and outgoing payments that the asset creates. In addition to this, any payments connected to a final sale are attached. Incoming and outgoing payments are discounted to present value. Provisions for additional considerations are valued at their fair value.

**Leasing from 1 January 2019**
**Assets (right-of-use assets) and liabilities arising from a lease are initially recognised on a present value basis. Lease liabilities include the present value of the following lease payments. Lease payments are discounted using the interest rate implicit in the lease. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Right-of-use assets are measured at cost. Rights-of-use assets are normally depreciated on a straight-line basis over the term of the lease. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The lease period is reassessed if an option is exercised or not exercised. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that change is within the control of the lessee.**

**Leasing to 31 December 2018**
Lease fees are expensed using a straight-line approach over the term of the lease, and primarily refer to operating leases for premises. There are no finance leases.

**Cash flow statement**
The cash flow statement is prepared in accordance with the indirect method.

**Pensions**
The majority of the Group's employees are covered by the ITP plan. The Group has chosen to take out pension insurance with Alecta for the employees covered by the ITP plan. The ITP plan is a defined-benefit plan, and pension payments are related to the employee's final salary and the total length of service under the plan. Alecta cannot submit sufficient information in respect of the proportion of defined-benefit obligations or the plan assets and expenses associated with the plan, which is why the ITP plan, as previously, is reported as a defined-contribution plan. Group employees not covered by the ITP plan are included in the defined-contribution plan.

Financial instruments
IFRS 9 has been applied for the current financial year and the comparison year. Differences between the principles are outlined in the section below.

The Group's financial assets and liabilities consist of the following items: accounts receivable, other current receivables, accrued income, cash and cash equivalents, accounts payable, other current liabilities and accrued expenses and deferred income, as well as liabilities for provisions for additional considerations.

(i) Initial recognition
Financial assets and financial liabilities are recognised when the Group becomes party to the instrument's contractual terms and conditions. Purchase and sale of financial assets are recognised on the trade date, which is the date the Group commits to purchase or sell the asset.
At initial recognition, financial instruments are measured at fair value plus; in the case of a financial asset not measured at fair value through profit or loss, transaction costs are directly attributable to the acquisition or issue of the financial asset or the financial liability such as fees and commissions. Transaction costs attributable to financial assets that are recognised at fair value through profit or loss are expensed directly in the profit and loss statement.

(ii) Classification and measurement
Classification and measurement according to IFRS 9, applicable from 01 January 2019

The Group classifies its financial assets and liabilities in the amortised cost category. Classification is based on the purpose for which the financial asset or liability was acquired.

Financial assets measured at amortised cost
Classification of investments in debt instruments is based on the Group's business model for managing financial assets and the contractual terms and conditions for the assets' cash flows. The Group only reclassifies debt instruments when it changes its business model for managing the instruments.

Assets that are held with the objective to collect contractual cash flows and where these cash flows solely pertain to principal and interest on the principal amount outstanding are measured at amortised cost. The carrying amount of the assets is adjusted based on any expected credit losses that are recognised (see impairment below). Interest income from the financial assets is recognised using the effective interest method, and is included in financial income in the consolidated statement of comprehensive income.

The Group's financial assets that are measured at amortised cost consist of the following items: accounts receivable, other current receivables, accrued income and cash and cash equivalents.

Financial liabilities are measured at fair value in the profit and loss statement.
Financial liabilities measured at fair value in the profit and loss statement are conditional on additional considerations for acquisitions. Financial liabilities measured at fair value through the profit and loss statement are also recognised in subsequent periods at fair value. The change in value is recognised in the consolidated statement of comprehensive income.

Financial liabilities measured at fair value through the consolidated statement of comprehensive income are classified as current liabilities if they are due for payment within 12 months of the balance sheet date. If they are due for payment after more than 12 months of the balance sheet date, they are classified as long-term liabilities.

Financial liabilities measured at amortised cost
The Group's other financial liabilities are measured after initial recognition at amortised cost using the effective interest method.

The Group's financial liabilities which are measured at amortised cost consist of accounts receivable, other current receivables, accrued expenses and deferred income.

Loan receivables and accounts receivable
Loan receivables and accounts receivable are financial assets that are not derivatives, which have fixed or determinable payments and which are not listed in an active market. They are included in current assets with the exception of items due for payment more than 12 months after the end of the reporting period, in which case they are classified as non-current assets. The Group's "loan receivables and accounts receivable" consist of accounts receivable, other current receivables, accrued income and cash and cash equivalents, which consist of financial instruments and which are recognised based on the time of acquisition at amortised cost using the effective interest method.

(iii) Derecognising financial instruments
Derecognition of financial instruments
Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred, and the Group has transferred almost all of the risks and benefits associated with ownership.

Profits and losses that arise due to derecognition from the balance sheet are reported directly in the statement of comprehensive income under the item for financial income and expenses.

Derecognition of financial liabilities
Financial liabilities are removed from the balance sheet when the obligation has been settled, cancelled or in any other way terminated. The difference between the carrying amount of a financial liability (or part of a financial liability) which is extinguished or transferred to another party and the consider-

ation paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of comprehensive income.

When the terms and conditions for a financial liability are renegotiated and not derecognised from the balance sheet, a profit or loss is recognised in the statement of comprehensive income. Profit or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted to the original effective interest rate.

(iv) Impairment of financial assets
Impairment of financial assets which are recognised at amortised cost in accordance with IFRS 9.
The Group assesses expected future credit losses associated with assets which are carried at amortised cost. The Group recognises a loss allowance for expected credit losses on each reporting date.

For accounts receivable, the Group applies a simplified approach in terms of the loss allowance; in other words, the allowance corresponds to the expected loss over the entire lifetime of the accounts receivable. In order to measure expected credit losses, accounts receivable have been grouped based on distributed credit risk characteristics and the number of past due days. The Group uses forward-looking variables for expected credit losses. Expected credit losses are recognised in the Group's consolidated statement of comprehensive income under the item for external expenses.

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset or group of financial assets require impairment. A financial asset or group of financial assets may only be deemed to require impairment and be impaired if there is objective evidence that impairment is required due to one or more events arising after initial recognition of the asset ("incurred loss event") which impact estimated future cash flows for a financial asset or group of financial assets that can be reliably estimated.
Objective evidence that impairment is required includes, for example, indications that a debtor or group of debtors are experiencing financial problems, interest payments or payments on principal are skipped or delayed, likelihood that a debtor or group of debtors will file bankruptcy or undergo reconstruction or observable indications that expected future cash flows will diminish, such as changes in overdue liabilities or other financial circumstances that correlate with credit losses.
For the loan receivables and accounts receivable category, impairment is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows (excluding future credit losses that have not taken place), discounted to the financial asset's original effective interest rate. The asset's carrying amount is impaired, and the impaired amount is recognised in the Group's consolidated statement of comprehensive income under the item for other external expenses. If the impairment requirement diminishes in a subsequent period and the reduction can objectively be attributed to an event that occurred after the impairment was recognised (for example the debtor's creditworthiness improves), a reversed impairment of the previously recognised impairment is recognised in the Group's consolidated statement of comprehensive income. For financial risks, see Note 15.

**Group contributions**
Group contributions that the parent company receives from subsidiaries or makes to subsidiaries are recognised as appropriations.

**Adoption of the financial statements**
The Parent Company's and the Group's accounts will be adopted by the Annual General Meeting on 13 May 2020.

# Notes

## NOTE 1 Fees to auditors

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| TSEK, PricewaterhouseCoopers | **2019** | **2018** | **2019** | **2018** |
| Auditing assignment* | 730 | 724 | 730 | 724 |
| Auditing activities in addition to the auditing assignment | - | - | - | - |
| Tax advice | - | - | - | - |
| Other operations | - | - | - | - |
| **Total audit** | **730** | **724** | **730** | **724** |

*Auditing costs for subsidiaries are primarily charged to the Parent Company.

## NOTE 2 Operating leases, IFRS 16 is applied for 2019, see note 26

Lease costs for operating leases – primarily the rental of premises – amounted to the following during the year:

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| TSEK | **2019** | **2018** | **2019** | **2018** |
| Leasing costs | - | 22,988 | - | 22,988 |

Future leasing costs are divided as follows:

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Due for payment within one year | - | 18,511 | - | 18,511 |
| Due for payment in more than a year, but within five years | - | 37,349 | - | 37,349 |
| Due for payment in more than five years | - | - | - | - |

## NOTE 3 Employee information and remuneration to the Board and Chief Executive Officer

| | | | (of which men) | |
|---|---|---|---|---|
| **AVG. NO. OF EMPLOYEES** | **2019** | **2018** | **2019** | **2018** |
| Sweden, Parent Company | 13 | 15 | 8 | 9 |
| **Subsidiaries** | | | | |
| Sweden | 430 | 437 | 325 | 330 |
| Estonia | | | | |
| **Total, Group** | **443** | **452** | **333** | **339** |

| | **2019** | | **2018** | |
|---|---|---|---|---|
| **GENDER DIVISION, %** | Board of Directors | Company mgmt. | Board of Directors | Company mgmt. |
| Group | | | | |
| Men | 60 | 89 | 70 | 92 |
| Women | 40 | 11 | 30 | 8 |
| Parent Company | | | | |
| Men | 50 | 89 | 62 | 92 |
| Women | 50 | 11 | 38 | 8 |

## SALARY, OTHER REMUNERATION AND SOCIAL SECURITY CONTRIBUTIONS

| | 2019 | | 2018 | |
|---|---|---|---|---|
| TSEK | Salary and remuneration | Social security contributions | Salary and remuneration | Social security contributions |
| Parent Company | 11,418 | 5,665 | 16,900 | 5,754 |
| (pension costs) | | (3,298) | | (3,648) |
| Subsidiaries | 235,238 | 81,169 | 233,025 | 80,176 |
| (pension costs) | | (27,790) | | (26,761) |
| **Group** | **246,656** | **86,834** | **249,925** | **85,930** |
| (pension costs) | | (31,088) | | (30,409) |

Of the Parent Company pension costs, TSEK 613 (684) refers to the Board members and the Chief Executive Officer group. The corresponding amount for the subsidiaries is TSEK 0 (0).

## SALARY AND OTHER REMUNERATION PER COUNTRY AND TO BOARD MEMBERS, ETC. AND EMPLOYEES

| | 2019 | | 2018 | |
|---|---|---|---|---|
| TSEK | Board of Directors and MD | Other employees | Board of Directors and MD | Other employees |
| Parent Company | | | | |
| Sweden | 3,697 | 7,721 | 3,048 | 13,852 |
| (of which bonuses, etc.) | (1,476) | | (1,250) | |
| Subsidiaries | | | | |
| Sweden | - | 235,238 | - | 233,025 |
| (of which bonuses, etc.) | (-) | | (-) | |
| Other countries | - | - | - | - |
| (of which bonuses, etc.) | (-) | | (-) | |
| Total in subsidiaries | - | 235,238 | - | 233,025 |
| (of which bonuses, etc.) | (-) | | (-) | |
| **Total, Group** | **3,697** | **242,959** | **3,048** | **246,877** |
| (of which bonuses, etc.) | (1,476) | | (1,250) | |

As per the decision of the Annual General Meeting, the Board of Directors' remuneration consists of TSEK 800 (560), of which TSEK 250 (180) goes to the Chair and the remaining TSEK 550 is equally distributed between the five members. The Chief Executive Officer and the employee representatives do not receive any Board fees. Salary and other remuneration (excluding variable pay) for the CEO, Per Adolfsson, amounted to TSEK 2,221 (1,798), company car benefits TSEK 0 (101) and pension costs TSEK 613 (684). The Chief Executive Officer receives a bonus-based pension according to the ITP plan, where the annual pension costs are limited to 35% of the fixed salary. The retirement age follows the ITP plan. Performance-based variable pay in 2019 amounted to TSEK 1,476 (1,250). Variable pay is not qualifying income for pension purposes and is capped at TSEK 2,000 (1,522). The Chief Executive Officer's notice period is 6 months, and in the case of termination on the part of the company, the notice period increases to 12 months. Besides the salary during the notice period, there is no severance pay. Per Adolfsson took over on 1 January 2019. Figures from the previous year refer to the former CEO Anders Eriksson.

Salary and other remuneration for other senior executives, 9 (12) people, amounted to TSEK 10,375 (12,976), plus variable pay at TSEK 4,360 (6,206); company car benefits amounted to TSEK 442 (425) and pension costs amounted to TSEK 2,619 (3,652). A list of other senior executives is available on the website. Variable pay for other senior executives is based solely on the company's profit/loss. Pension benefits for senior executives are provided according to the ITP plan or a similar plan. Some senior executives have chosen a defined-contribution pension plan within the cost framework of the pension plan. The retirement age follows the ITP plan. For other senior executives, variable pay is not qualifying income for pension purposes. The notice period for other senior executives is between 3 and 12 months. Besides the salary during the notice period, there is no severance pay.

No subscription options or other financial instruments are issued to Board members, the Chief Executive Officer or other senior executives. Over the year, the remuneration committee has provided the Board with recommendations on remuneration principles for senior executives. The Chief Executive Officer's remuneration for 2019 was decided by the Board, based on the remuneration committee's recommendation. Remuneration for other senior executives was determined by the Chief Executive Officer after consultation with the chairman of the Board. According to the decision at the most recent Annual General Meeting, the guidelines for remuneration to senior executives are that all remuneration must be competitive and allow qualified senior executives to be recruited and retained.

**Alecta**

For salaried employees in Sweden, the ITP 2 plan's defined-benefit pension commitments for retirement and family pensions (or family pensions) are secured through insurance with Alecta. In accordance with a statement from the Swedish Financial Reporting Board, UFR 10 'Reporting of ITP 2 plans financed through insurance with Alecta', this is a defined-contribution plan that covers several employers. For the 2019 financial year, the company has not had access to information that would make it possible to report the proportionate share of the plan's commitments, plan assets and costs, which means that it was not possible to report the plan as a defined-benefit plan. The ITP 2 pension plan that is secured through insurance from Alecta is therefore reported as a defined-contribution plan. The premium for the defined-benefit retirement and family pension is calculated on an individual basis and is dependent on salary, previously earned pension and expected remaining length of service. The expected fees for the next reporting period for the ITP 2 insurance policies with Alecta are MSEK 10 (2018: MSEK 15). The collective consolidation level is the market value of Alecta's assets as a percentage of the insurance commitments calculated using Alecta's actuarial methods and assumptions, which are not in agreement with IAS 19. The collective consolidation level should normally be allowed to vary between 125 and 175 per cent. If Alecta's collective consolidation level falls below 125 per cent or exceeds 175 per cent, measures will be taken with the aim of creating conditions for the consolidation level to return to the normal interval. At a low level of consolidation, one potential measure could be to raise the contractual price of new policies and increase existing benefits. At a high level of consolidation, one potential measure could be to reduce premiums. At the end of 2019, Alecta's surplus at the collective consolidation level amounted to 148 per cent (2018: 142 per cent).

## **NOTE 4** Interest income and similar profit/loss items

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| TSEK | **2019** | **2018** | **2019** | **2018** |
| Interest income, etc. | 277 | 273 | 272 | 274 |
| | **277** | **273** | **272** | **274** |
| Of which for Group companies | - | - | - | - |

Interest income refers to return on cash and cash equivalents.

## **NOTE 5** Taxes

**TAX EXPENSE**

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| TSEK | **2019** | **2018** | **2019** | **2018** |
| Current tax | -16,606 | -16,286 | -16,510 | -16,182 |
| Deferred tax | 312 | 311 | - | - |
| **Tax expense** | **-16,294** | **-15,975** | **-16,510** | **-16,182** |

**DIFFERENCE BETWEEN CURRENT AND EFFECTIVE TAX**

| TSEK | **2019** | **2018** | **2019** | **2018** |
|---|---|---|---|---|
| Reported profit/loss before tax | 72,092 | 68,298 | 73,836 | 72,470 |
| Tax according to the current tax rate, 21.4% (22%) | -15,428 | -15,026 | -15,801 | -15,943 |
| Tax effect, non-deductible expenses | -990 | -887 | -830 | -28,441 |
| Tax effect on non-taxable income | 124 | 202 | 121 | 28,202 |
| Group contributions without tax effect | - | - | - | - |
| Outcome for which deferred tax is not considered | - | -264 | - | - |
| Tax adjustment from previous year | - | - | - | - |
| | **-16,294** | **-15,975** | **-16,510** | **-16,182** |

**DEFERRED TAX LIABILITIES**

| TSEK | **2019** | **2018** | **2019** | **2018** |
|---|---|---|---|---|
| Temporary difference, amortisation of goodwill from acquired net assets | -1,187 | -1,065 | - | - |
| Temporary difference, intangible assets | -83 | -517 | - | - |
| Loss carry-forward | - | - | - | - |
| | **-1,270** | **-1,582** | - | - |

The deferred tax expense for 2019 refers to other changes in values in respect of deferred tax assets. Deferred tax liabilities are reported as intangible assets (acquired customer base and software). This tax liability is dissolved five years after the acquisition. Softronic also has an outstanding tax deficit of MSEK 6.8 with an unlimited lifespan that is solely expected to be used against capital gains on securities. No deferred tax asset has been reported for these.

Accumulated foreign deficits amount to MSEK 1.6.

No deferred tax asset has been reported for these. The foreign deficit has an unlimited lifespan. Every year a valuation is made of the deferred tax asset and the tax asset, where the value is assessed based on the profit development.

## NOTE 6 Earnings per share

Adjustments were made for the subdivision of shares, bonus issues and bonus issue elements for new share issues.
When calculating the profit/loss per share attributable to Parent Company shareholders, the number of shares totalled as follows:

| | 2019 | 2018 |
|---|---|---|
| Average number of shares, basic, thousands [1] | 52,633 | 52,633 |
| Average number of shares, diluted, thousands [1] | 52,633 | 52,633 |
| Number of shares at period end, basic, thousands [1] | 52,633 | 52,633 |
| Number of shares at period end, diluted, thousands [1] | 52,633 | 52,633 |

Calculation of the Profit/loss for the period per share: The profit/loss for the period divided by the number of shares at period end, diluted

[1]Besides the shares, there are no outstanding potential equity instruments.

## NOTE 7 Intangible assets

**GROUP**

**ACCUMULATED COST**

| TSEK | Goodwill | Customer base | Software | Total |
|---|---|---|---|---|
| Opening balance, 01/01/2018 | 109,262 | 40,678 | 10,796 | 160,736 |
| Business acquisitions | - | 2,000 | - | 2,000 |
| Closing balance, 31/12/2018 | 109,262 | 42,678 | 10,796 | 162,736 |
| Business acquisitions | - | - | - | 0 |
| **Closing balance, 31/12/2019** | **109,262** | **42,678** | **10,796** | **162,736** |

**ACCUMULATED DEPRECIATION, AMORTISATION AND IMPAIRMENT**

| TSEK | Goodwill | Customer base | Software | Total |
|---|---|---|---|---|
| Opening balance, 01/01/2018 | - | 37,642 | 8,433 | 46,075 |
| Depreciation for the year | - | 2,426 | 945 | 3,371 |
| Closing balance, 31/12/2018 | - | 40,068 | 9,378 | 49,446 |
| Depreciation for the year | - | 860 | 945 | 1,805 |
| **Closing balance, 31/12/2019** | **-** | **40,928** | **10,323** | **51,251** |

| CARRYING AMOUNT | Goodwill | Customer base | Software | Total |
|---|---|---|---|---|
| At 31/12/2018 | 109,262 | 2,610 | 1,418 | 113,290 |
| **At 31/12/2019** | **109,262** | **1,750** | **473** | **111,485** |

**PARENT COMPANY**

**ACCUMULATED COST**

| TSEK | Goodwill | Customer base | Software | Total |
|---|---|---|---|---|
| Opening balance, 01/01/2018 | 4,840 | 12,223 | 1,169 | 18,232 |
| Business acquisitions | - | 2,000 | - | 2,000 |
| Closing balance, 31/12/2018 | 4,840 | 14,223 | 1,169 | 20,232 |
| Business acquisitions | - | - | - | 0 |
| **Closing balance, 31/12/2019** | **4,840** | **14,223** | **1,169** | **20,232** |

**ACCUMULATED DEPRECIATION, AMORTISATION AND IMPAIRMENT**

| TSEK | Goodwill | Customer base | Software | Total |
|---|---|---|---|---|
| Opening balance, 01/01/2018 | 4,768 | 10,555 | 1,169 | 16,492 |
| Depreciation for the year | 72 | 1,968 | 0 | 2,040 |
| Closing balance, 31/12/2018 | 4,840 | 12,523 | 1,169 | 18,532 |
| Depreciation for the year | - | 400 | 0 | 400 |
| **Closing balance, 31/12/2019** | **4,840** | **12,923** | **1,169** | **18,932** |

| CARRYING AMOUNT, TSEK | Goodwill | Customer base | Software | Total |
|---|---|---|---|---|
| At 31/12/2018 | 0 | 1,700 | 0 | 1,700 |
| **At 31/12/2019** | **0** | **1,300** | **0** | **1,300** |

A test of the impairment requirement is carried out annually in accordance with IAS 36. A recoverable amount is calculated for a cash-generating unit and then compared with the book value. This is then used to determine if impairment is required. The recoverable amount is first calculated from the value in use. If there are estimations of the net realisable value, these are compared with the value in use, whereby the highest amount is used to determine the recoverable amount. The value in use is calculated from the incoming and outgoing payments that the asset creates. In addition to this, a payment that is connected to a final disposal is then added. Incoming and outgoing payments are discounted to present value. Company management bases the cash flow forecasts on assumptions related to two important parameters: the discount factor and the growth rate of primarily sales and personnel costs. The method for determining the discount factor uses assumptions based on an analysis of the level of the interest rate, the risk profile and the yield requirement. The method for determining the growth rate uses assumptions based on historic trends supplemented with external and internal forecasts about own growth and the industry average and where a prudent approach is applied throughout the process. The EBITA margin for the forecast period has been assumed to be at the same level as in 2019. The discount factor before tax that is calculated using the above method is 11.5% (11.5%), including a risk factor. The calculation is based on the forecast values for 2020-2024, after which a growth rate of 1% (1%) has been assumed. The Group as a whole is considered a cash-generating unit (CGU) due to its organisational affinity. All acquisitions are integrated into the operations and are not individually identifiable.  A test of the impairment requirement has shown that the carrying amounts are well below the recoverable amount, even when making reasonable changes to the above-mentioned key assumptions. A sensitivity analysis in accordance with IAS 36, point 134, is not reported with reference to that stated above.

## **NOTE 8** Property, plant and equipment

| **EQUIPMENT** | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| TSEK | **2019** | **2018** | **2019** | **2018** |
| Opening cost | 32,573 | 32,415 | 19,292 | 19,134 |
| Purchases | 384 | 583 | 384 | 583 |
| Business acquisitions | - | - | - | - |
| Sales and disposals | -1,690 | -425 | - | -425 |
| **Accumulated cost** | **31,267** | **32,573** | **19,676** | **19,292** |
| | | | | |
| Opening depreciation | -24,261 | -21,067 | -11,287 | -8,093 |
| Sales and disposals | 1,626 | 334 | - | 334 |
| Depreciation for the year | -3,047 | -3,528 | -3,047 | -3,528 |
| **Accumulated depreciation** | **-25,682** | **-24,261** | **-14,334** | **-11,287** |
| | | | | |
| **Closing residual value according to plan** | **5,585** | **8,312** | **5,342** | **8,005** |

## NOTE 9 Shares and participations in subsidiaries

| Company name | Corporate identity number | Registered office | 2019 Number of shares | 2019 Cost | 2019 Book value | 2018 Number of shares | 2018 Cost | 2018 Book value |
|---|---|---|---|---|---|---|---|---|
| Softronic Drift AB | 556073-3338 | Stockholm | 5,000 | 596 | 600 | 5,000 | 596 | 600 |
| Softronic Techsupport AB | 556310-7407 | Stockholm | 1,000 | 7,718 | 100 | 1,000 | 7,718 | 100 |
| Softronic Premium Konsult AB | 556612-1165 | Stockholm | 1,000 | 37,854 | 3,657 | 1,000 | 37,854 | 3,657 |
| Softronic Dokumenthantering AB | 556483-8349 | Arjeplog | 2,000 | 2,113 | 2,113 | 2,000 | 2,113 | 2,113 |
| Softronic Yarrow AB | 556395-2315 | Stockholm | 1,000,000 | 24,640 | 1,640 | 1,000,000 | 24,640 | 1,640 |
| Programmera QT i Sverige AB | 556592-8180 | Stockholm | 1,000 | 100 | 100 | 1,000 | 100 | 100 |
| Programmera Förvaltning i Sverige AB | 556487-2066 | Stockholm | 1,000 | 102 | 102 | 1,000 | 102 | 102 |
| Softronic Hosting Partner AB | 556725-3694 | Stockholm | 1,000 | 2,010 | 400 | 1,000 | 2,010 | 400 |
| Softronic 1 AB | 556419-0006 | Stockholm | 93,452,446 | 93,422 | 21,779 | 93,452,446 | 93,422 | 21,779 |
| Softronic Dokumentkompetens AB | 556682-9809 | Stockholm | 1,000 | 3,023 | 423 | 1,000 | 3,023 | 423 |
| Softronic Danmark A/S | 24 20 84 35 | Denmark | 15,000 | 1,761 | 461 | 15,000 | 1,761 | 461 |
| Softronic Baltic AS | 10243040 | Estonia | 1,000 | 1,293 | 254 | 1,000 | 1,293 | 254 |
| American Softronic Inc. | 77-0486374 | USA | 1,000 | 8 | 8 | 1,000 | 8 | 8 |
| Consultus AB | 556277-9388 | Stockholm | 16,000 | 1,752 | 1,752 | 16,000 | 1,752 | 1,752 |
| Consultus Management A/S | 979194579 | Norway | - | - | - | - | - | - |
| Softronic UK Ltd | 03719555 | England | 2 | - | - | 2 | - | - |
| | | | | **176,392** | **33,389** | | **176,392** | **33,389** |

Cost includes shareholder's contributions, but not Group contributions paid. Softronic 1 AB is being merged with Softronic AB.

Every company is wholly-owned by Softronic AB.

## NOTE 10 Prepaid expenses and accrued income

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| TSEK | **2019** | **2018** | **2019** | **2018** |
| Work carried out but not invoiced | 41,002 | 34,661 | 41,002 | 34,661 |
| Prepaid rental costs | 0 | 2,980 | 0 | 2,980 |
| Other | 42,996 | 29,077 | 42,223 | 28,987 |
| | **83,998** | **66,718** | **83,225** | **66,628** |

Work completed but not invoiced refers solely to revenue-related contract assets. Impairments related to contract assets were not material.

## NOTE 11 Accrued expenses and deferred income

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| TSEK | **2019** | **2018** | **2019** | **2018** |
| Deferred income | 35,160 | 28,504 | 35,160 | 28,504 |
| Holiday pay liability | 9,480 | 9,447 | 483 | 506 |
| Social security contributions | 19,458 | 16,930 | 1,474 | 1,517 |
| Other | 4,443 | 6,097 | 4,537 | 5,519 |
| | **68,541** | **60,978** | **41,654** | **36,046** |

Deferred income refers to revenue-related contractual liabilities and pertains to service agreements. Contractual liabilities concerning 2018 were fully recognised in 2019.

## **NOTE 12** Adjustment for non-cash items

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| TSEK | **2019** | **2018** | **2019** | **2018** |
| Depreciation, amortisation and impairment | 23,693 | 6,899 | 3,447 | 5,569 |
| Group contributions | - | - | -62,313 | -60,926 |
| Other | 191 | -252 | 157 | -2,254 |
| | **23,884** | **6,647** | **-58,709** | **-57,611** |

## **NOTE 13** Business combinations

No acquisitions took place in 2019. In the fourth quarter of 2018, Charity's assets and liabilities were acquired from Bisnode. Amounts paid in respect of acquisitions from previous years refer to TSEK 400 for the additional consideration for Charity.

**ACQUISITION OF SUBSIDIARIES**

| **Details of acquired net assets** | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| TSEK | **2019** | **2018** | **2019** | **2018** |
| Remitted compensation | - | - | - | - |
| Amounts paid in respect of acquisitions from previous years | - | - | - | - |
| **Total consideration paid** | **-** | **-** | **-** | **-** |

| **Acquired assets and liabilities (fair value)** | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| TSEK | **2019** | **2018** | **2019** | **2018** |
| Shares in subsidiaries | - | - | - | - |
| Other intangible assets | - | - | - | - |
| Current assets | - | - | - | - |
| Cash and cash equivalents | - | - | - | - |
| Current liabilities | - | - | - | - |
| Amounts paid in respect of acquisitions from previous years | - | - | - | - |
| | **-** | **-** | **-** | **-** |
| **Total cash flow attributable to acquisition of subsidiaries*** | **-** | **-** | **-** | **-** |

* Total consideration paid by the Group less acquired cash and cash equivalents

**ACQUISITION OF OPERATIONS, ASSETS AND LIABILITIES**

| **Details of acquired net assets** | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| TSEK | **2019** | **2018** | **2019** | **2018** |
| Remitted compensation | 400 | 2,000 | 400 | 2,000 |
| Less unpaid portion | | -1,600 | | -1,600 |
| **Total consideration paid** | **400** | **400** | **400** | **400** |

| **Acquired assets and liabilities** | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| TSEK | **2019** | **2018** | **2019** | **2018** |
| Goodwill | - | - | - | - |
| Other intangible assets | - | 2,000 | - | 2,000 |
| Amounts paid in respect of previous acquisitions | 400 | - | 400 | - |
| | **400** | **2,000** | **400** | **2,000** |
| **Total cash flow attributable to acquisition of assets and liabilities** | **-400** | **-400** | **-400** | **-400** |

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| **Total cash flow attributable to acquisitions** | **-400** | **-400** | **-400** | **-400** |

## **NOTE 14** Cash and cash equivalents and current investments

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| TSEK | **2019** | **2018** | **2019** | **2018** |
| Cash and cash equivalents/Cash and bank balances | 117,173 | 113,012 | 116,580 | 112,452 |

Cash and cash equivalents comprise cash and bank balances that are immediately available or in short-term investments. The Group's liquid transactions are made through a central bank account system held by the Parent Company. As per the balance sheet date, the Group had unutilised overdraft facilities of MSEK 23.

## **NOTE 15** Financial instruments and financial risk management

**Financial assets and liabilities**

The Group's financial assets and liabilities consist of the categories listed in the balance sheet, where the carrying amounts are the same as fair value: accounts receivable, other current receivables, accrued income, cash and cash equivalents, accounts payable, other current liabilities and accrued expenses and deferred income, as well as liabilities for provisions for additional considerations.

**Financial risks**

The financial risks in the operations are low. There is a finance policy in place and checks are carried out by the controller. The primary financial risk the Group faces is credit risk. The Group has a large share of recurring income, but no single customer represents more than 10% of sales, even when aggregating individual customers at the Group level. The Group does not have a significant concentration of credit risk with an individual customer, counterparty or geographic region, and the Group works actively on an ongoing basis to mitigate this risk with assistance from the credit and requirement processes. Receivables are impaired when there is objective evidence that past due amounts will not be paid. An age analysis of accounts receivable is presented below. In terms of other financial risks, the Group has strong equity and no interest-bearing liabilities, except for lease liabilities where the risk is very low. Currency risk is very low since the percentage of foreign receivables and liabilities is low. Market risks such as price and interest rate risks (there is no external financing) are negligible other than in minor, individual cases and do not have a major impact on the Group. Financial instruments such as derivatives, etc., are not used and therefore do not represent a risk.

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| TSEK | **2019** | **2018** | **2019** | **2018** |
| Accounts receivable | 87,874 | 102,368 | 87,874 | 102,368 |
| Lease liabilities | 20,286 | - | - | - |

Accounts receivable are non-interest bearing and normally have a credit period of 30-60 days.

**Age analysis of accounts receivable, as of 31 December, Group, TSEK**

| Past due accounts receivable (days) | Total | <30 | 30-60 | 60-90 | 90-120 | >120 |
|---|---|---|---|---|---|---|
| 2019 | **5,547** | 3,261 | 832 | 87 | 246 | 1,121 |
| 2018 | **8,793** | 5,394 | 1,198 | 444 | 82 | 1,675 |

As of 31 December 2019, TSEK 392 (392) in account receivables in the Group was reserved as bad debt; the past due period was over 120 days. Bad debt losses of TSEK 0 (755) occurred in the Group during 2019.

## **NOTE 16** Income

Consolidated revenue of MSEK 720 (737) can be broken down into: consultancy services MSEK 334 (356); service agreement sales MSEK 258 (217); services invoiced to third parties MSEK 57 (87); invoiced to third parties, other, MSEK 53 (54); licences MSEK 15 (15); and hardware MSEK 3 (8). The operations are run as a single segment and the income is primarily from Sweden. No customer fulfils the requirements set out in IFRS 8, point 34 regarding information about large customers. The Parent Company's distribution of revenue per revenue category is basically the same as the Group's, as subsidiaries mostly only work as sub-consultants for the Parent Company. Parent Company sales to subsidiaries amounted to TSEK 0 (356) and its purchases from subsidiaries MSEK 411 (406).

## **NOTE 17** Provisions

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| TSEK | **2019** | **2018** | **2019** | **2018** |
| Provisions, opening balance | 4,140 | 0 | 4,140 | 0 |
| Additional provisions | - | 2,000 | - | 2,000 |
| Additional pension provision | 141 | 2,540 | 141 | 2,540 |
| Utilised provisions | -400 | -400 | -400 | -400 |
| Reclassified unused amounts | - | - | - | - |
| **Total provisions** | **3,881** | **4,140** | **3,881** | **4,140** |

Provisions refer to considerations, in the form of the fair value of liabilities. Additional considerations are dependent on future income and profit. Utilised provisions refer entirely to the additional consideration for Charity.

## **NOTE 18** Pledged assets and contingent liabilities

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| TSEK | **2019** | **2018** | **2019** | **2018** |
| Charges for unutilised overdraft facilities | 23,125 | 23,125 | 23,125 | 23,125 |
| **Total pledged securities** | **23,125** | **23,125** | **23,125** | **23,125** |
| **Contingent liabilities** | **None** | **None** | **None** | **None** |

**NOTE 19** Transactions with closely related parties

No transactions with closely related parties took place during the year that affected the company's profit/loss and financial position other than Board fees determined by the AGM, and dividends.

**NOTE 20** Information about the Parent Company

Softronic AB is a public limited company (publ) with its registered office in Stockholm, Sweden.
The head office address is Hammarby Kaj 10A, SE-120 32 Stockholm, Sweden. The quota value for the share is SEK 0.40 and the total number of shares amounts to 52,632, 803. There are 3,370,000 A shares and each share corresponds to 10 votes. There are 49,262,803 B shares and each share corresponds to 1 vote. A shares are to be offered to existing A shareholders for redemption. B shares are listed on the OMX NASDAQ Stockholm. Softronic is one of Sweden's leading IT and management consultancy firms. We combine in-depth management expertise with qualified IT knowledge, and we can therefore provide our customers with a global approach to change processes, which often include IT, strategic development and human change.

**NOTE 21** Events after the balance sheet date

No events with a significant effect on the Parent Company's or Group's financial position or profit/loss occurred between the closing date and the publication of this annual report, except for the fact that the human and economic consequences of the abrupt closing of the world's countries in March as a result of the spread of Covid-19 will result in a significant slowdown in the global economy.

**NOTE 22** Goods for resale and other invoiced expenses

Goods for resale and other invoiced expenses refer to project-related costs in the form of sub-consultants and materials.

**NOTE 23** Appropriation of profits

**Proposed appropriation of profits**

The following amounts are at the disposal of the Annual General Meeting (SEK):

| | |
|---|---|
| Profit carried forward | 58,976,167 |
| Share premium reserve | 27,429,316 |
| Profit/loss for the year | 57,325,668 |
| | **143,731,151** |

The Board and the Managing Director propose the following appropriation (SEK):

| | |
|---|---|
| Dividend (52,632,803 shares at SEK 1.00 each) | 52,632,803 |
| Brought forward | 91,098,348 |
| | **143,731,151** |

The Group's accumulated profit attributable to the Parent Company shareholders amounts to TSEK 209,078 (TSEK 205,879).

**Dividend policy**
The aim is for the long-term dividend level to amount to around 50% of profits after tax, depending on the company's capital requirements for investments and changes to working capital, as well as the shareholders' desire for a good dividend yield.

The basis for the Board's proposal above is the dividend policy, which takes into consideration the Group's future liquidity requirements and investment ability. The company's high liquidity and low indebtedness justify the amount of the dividend.

**NOTE 24** Definition of alternative performance measures

Softronic's financial statements contain alternative performance measures that supplement the measures defined in applicable regulations for financial reporting. Alternative key figures are given, as they provide more in-depth information than the measures defined in the regulations. The alternative performance measures are disclosed 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 the financial position and results. In the section below, Softronic has 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 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** | **Provides a more in-depth insight into the distribution of sales** | |
| Sales of consultancy services, MSEK | Income from consultants | 334 |
| Sales of agreement services, MSEK | Income from agreement services | 258 |
| Sales of services for invoices to third parties, MSEK | Income from services for invoices to third parties | 57 |
| Sales of invoices to third parties, other, MSEK | Income from invoices to third parties, other | 53 |
| Sales of licences, MSEK | Income from licences | 15 |
| Sales of hardware, MSEK | 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 | 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 |

## **NOTE 25** Capital

The Group's objective with regard to the capital structure is to secure the Group's ability to continue operating, so that it can continue to generate returns for shareholders, provide benefits for other stakeholders, and to maintain an optimal capital structure to keep the cost of capital down. To maintain or adjust the capital structure, the Group may change the dividend paid to shareholders, repay capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the debt ratio, which is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including the items Short-term borrowing and Long-term borrowing) less cash and cash equivalents. Total capital is calculated as Total equity in the consolidated balance sheet plus net debt. The Group's capital structure is assessed as meeting its targets.

## **NOTE 26** Right-of-use assets and lease liabilities

| RIGHT-OF-USE ASSETS | GROUP | |
|---|---|---|
| TSEK | 2019 | 2018 |
| Right-of-use assets, rental of premises and vehicles | 38,888 | - |
| **Total** | **38,888** | **-** |

| LEASE LIABILITIES | GROUP | |
|---|---|---|
| TSEK | 2019 | 2018 |
| Current | 18,602 | - |
| Non-current | 20,286 | - |
| **Total** | **38,888** | **-** |

The following amounts related to leases are recognised in the profit and loss account:

| DEPRECIATION OF RIGHTS-OF-USE | GROUP | |
|---|---|---|
| TSEK | 2019 | 2018 |
| Depreciation, Rights-of-use, rental of premises and vehicles | -18,841 | - |
| **Total** | **-18,841** | **-** |

| INTEREST EXPENSES LEASING, INCLUDING IN FINANCIAL EXPENSES | GROUP | |
|---|---|---|
| TSEK | 2019 | 2018 |
| Interest expenses, leasing rights-of-use | - 1,473 | - |
| **Total** | **-1,473** | **-** |

**The total cash outflow for leases in 2019 was TSEK 20,314, of which amortisation, TSEK 18,841, and interest TSEK 1,473, where the amount TSEK 20,314 reduced the cost row for other external expenses in the profit and loss account.**
**The Group primarily leases offices and vehicles.  Rental contracts for office premises are normally 3–6 years with a renewal option. For vehicles the term of the lease is normally 3 years.**
**From 1 January 2019 leases are recognised as a right-of-use asset and a corresponding liability. Payments associated with short-term leases for office leases and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the profit and loss account. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and office equipment.**
**The table below outlines the duration of the lease liabilities.**

| | GROUP | |
|---|---|---|
| | **2019** | **2018** |
| Due for payment within one year | 18,602 | - |
| Due for payment in more than a year, but within five years | 20,286 | - |
| Due for payment in more than five years | - | - |

The undersigned hereby certify that the consolidated financial statements and annual report have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and in accordance with generally accepted auditing standards, and give a true and fair view of the development of the Group's and company's operations, financial position and results, and describe the significant risks and uncertainty factors facing the companies within the Group.

Stockholm, 31 March 2020

Per Adolfsson
Chief Executive Officer

Stig Martín
Board member

Petter Stillström
Board member

Britten Wennman
Board member

Victoria Bohlin
Board member

Anders Eriksson
Chair of the Board

Susanna Marcus
Board member

Cecilia Nilsson
Employee representative

Tomas Högström
Employee representative

Our audit report is hereby submitted on 31 March 2020
PricewaterhouseCoopers AB

Nicklas Kullberg
Authorised public accountant

# Auditor's Report

To the Annual General Meeting of Softronic AB (publ),
CIN 556249-0192.

**Report on the annual report and consolidated financial statements**

**Our opinion**

We have conducted an audit of the annual accounts and consolidated accounts of Softronic AB (publ) for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 1–20 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and provide in all material respects a true and fair picture of the Parent Company's financial position as of 31 December 2019, and of its financial results and cash flow for the year in accordance with the Swedish Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and provide in all material respects a true and fair picture of the Group's financial position as of 31 December 2019, and of its financial results and cash flow for the year in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the Swedish Annual Accounts Act. The Director's Report has been prepared in accordance with the other sections contained in the annual report and consolidated financial statements.

We therefore recommend to the General Meeting that the profit and loss statement and the balance sheet be adopted for both the parent company and the Group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the Board of Directors of the Parent Company and Group in accordance with the Audit Regulation (537/2014) Article 11.

**Basis for opinions**

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its Parent Company or its controlled companies within the EU.

We believe that the audit evidence we have received is sufficient and suitable as a basis for our opinion.

**Our audit approach**

**Audit scope and approach**

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered the areas where the Chief Executive Officer and the Board made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of the Board and Chief Executive Officer overriding internal controls, including, inter alia, consideration of whether there is evidence of bias that represented a risk of material misstatement due to fraud. We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

**Materiality**

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance as to whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures, and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts for the period in question. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

**Key audit matter**

**Revenue recognition**

The consolidated income for 2019 amounts to MSEK 720 and is the Group's largest profit item. Consolidated income comprises primarily consultancy services, which are carried out on a cost plus basis and in accordance with fixed-price agreements. Income for projects on a cost plus basis is recognised as the consultancy hours are supplied to the customer in accordance with customer agreements. During the invoicing process, an assessment is made to ensure that income and costs are recognized in the correct period, and an assessment is also made as to whether there have been any unforeseen costs or any additional hours in the projects. Income for ongoing fixed-price projects is recognised in line with the principles of successive income recognition, where the degree of completion is calculated based on the number of hours worked at the closing date, compared with the expected total number of hours in the customer assignment. Changes to the assessment of the total number of hours for the assignment can have a material impact on recognised income and costs. In view of the above, revenue recognition contains an element of subjective assessment, which affects the reporting of income and costs in the Group, see page 8 and Note 16 for the company's description of revenue.

**How our audit addressed this key audit matter**
The most important audit steps are summarised below:
Charted and evaluated the company's procedures for reporting and monitoring projects, including how company management identifies and assesses projects where there is a risk of a loss. Customer agreements have been checked at random against the company's reporting. We have also checked that invoicing is being carried out in accordance with the agreements. We have verified that income is recognised in the correct period and at the correct amount, by examining accrued income and accounts receivable at the end of the financial year. We have audited a selection of customer invoices and payments received.

Valuation of goodwill
The Group has significant intangible assets as a result of its acquisitions. The value of intangible assets is recognised in the consolidated balance sheet as MSEK 111. This consists of MSEK 109 goodwill. In accordance with IAS 36, the Group tests on an annual basis as a minimum whether there is a need for the impairment of recognised goodwill. This testing is done by calculating the recoverable amount of the business and comparing it to the carrying value of the business. The recoverable amount is determined by company management by calculating the company's ability to generate cash flow in the future. In the audit we have focused on the valuation of goodwill as this item contains the management's estimate of the future earning ability of the business and an assessment of the discount rate. Changes to these assessments can have a material impact on the carrying amount.
There is a more detailed description of the company's impairment testing in Note 7 and the Use of estimates section on page 8.

**How our audit addressed this key audit matter**
The most important audit steps are summarised below:
Evaluated Softronic's process for testing goodwill for impairment.
With assistance from PwC's internal valuation specialists, examined the accuracy of the calculation model and evaluated the accuracy of the utilised discount rate.
Evaluated the accuracy of assumptions that have been made and conducted sensitivity analyses for modified assumptions.
Evaluated the forecasting ability of management by comparing previous forecasts with actual outcomes.
We have examined whether the disclosure requirements in the annual accounts observe IAS 36.

**Information other than disclosed in the annual report and consolidated accounts**
This other information comprises the 2019 Annual Report, but does not comprise the annual accounts and our audit report with respect to this. The Board of Directors and Chief Executive Officer are responsible for this other information.
Our statement of opinion regarding the annual accounts and the consolidated accounts does not include this information and we state no opinion in assurance of this other information.
As part of our audit of the annual accounts and consolidated accounts, it is our responsibility to read the information identified above and to consider whether this information is materially incompatible with the annual accounts and consolidated accounts. During this review, we also take into account the knowledge we have otherwise acquired during the audit and make a judgement as to whether the information otherwise contains material misstatements.
If, on the basis of the work performed regarding this information, we conclude that the other information contains any material misstatement, we are under a duty to report it. We have nothing to report in this respect.

**Responsibility of the Board of Directors and Chief Executive Officer**
The Board of Directors and the Chief Executive Officer are responsible for the preparation of the annual accounts and consolidated accounts and for ensuring that they give a fair presentation in accordance with the Swedish Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU, and the Swedish Annual Accounts Act. The Board of Directors and the Chief Executive Officer are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.
In preparing the annual accounts and consolidated accounts, the Board of Directors and the Chief Executive Officer are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. However, the going concern basis of accounting is not applied if the Board of Directors and the Chief Executive Officer intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibility**
Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.
A further description of our responsibility for the audit of the annual accounts and the consolidated accounts is available on the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

**Our opinion**
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Chief Executive Officer of Softronic AB (publ) for 2019 and the proposed appropriations of the company's profit or loss.
We recommend that the General Meeting distribute the profit in accordance with the proposal in the Directors' Report and grant the members of the Board of Directors and the Chief Executive Officer discharge from liability for the financial year.

**Basis for opinions**

**We have conducted our audit in accordance with generally accepted accounting standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have received is sufficient and suitable as a basis for our opinion.**

**Responsibility of the Board of Directors and Chief Executive Officer**

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the Parent Company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the Group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Chief Executive Officer shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

**Auditor's responsibility**

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Chief Executive Officer in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company.
- in any other way has acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

PricewaterhouseCoopers AB was appointed as the auditor for Softronic AB (publ) at the General Meeting on 8 May 2019 and has been the company's auditor since 10 May 2017.

Stockholm, 31 March 2020

PricewaterhouseCoopers AB

Nicklas Kullberg
Authorised public accountant

**CORPORATE GOVERNANCE REPORT FOR SOFTRONIC AB, CORPORATE IDENTITY NUMBER 556249-0192, FOR THE 2019 FINANCIAL YEAR**
Softronic AB ('Softronic') is a Swedish public limited company, listed on NASDAQ Stockholm. Softronic follows the Swedish Companies Act, the guidelines for issuers on NASDAQ Stockholm, other applicable laws and regulations, plus the Swedish Code of Corporate Governance ('the Code). The Articles of Association also form the basis for the company's management. The content of the Articles of Association is regulated by the Swedish Companies Act and is adopted at the Annual General Meeting. Softronic's Articles of Association are available on the company website, www.softronic.se.

**General meeting of shareholders**
The general meeting of shareholders is the company's highest decision-making entity. This meeting is where Softronic shareholders make decisions on key issues, such as adopting the profit and loss statements and balance sheets, the distribution of dividends to shareholders, the composition of the Board, discharging the Board of Directors and Chief Executive Officer from liability, changes to the Articles of Association, the election of auditors and the principles for remuneration to the management team. The general meeting of shareholders shall be prepared and implemented in such a way so as to create conditions for the shareholders to exercise their rights in an active and informed manner.

Shareholders entered in the shareholders' register on the record date and who register their participation in the meeting have the right to be present at and vote in the meeting, either personally or via an authorised representative. Each shareholder has the right to have a matter dealt with at the Annual General Meeting. Information on the time and location for the meeting is published on the Softronic website.

As of 31 December 2019, there were 3,370,000 A shares and each share corresponds to 10 votes. There were 49,262,803 B shares and each share corresponds to 1 vote.

The Softronic website details the meeting's authorisation for the Board to make decisions on the acquisition of own shares or the issue of new shares. The 2019 Annual General Meeting renewed the Board's authorisation to decide on the acquisition of up to 10% of the company's shares, plus its authorisation to decide on the issue of new shares equivalent to 10% of the share capital.

**The Board and the work of the Board**
Five Board members were re-elected and two members were newly appointed at the Annual General Meeting in May 2019. The Board of Directors comprises Anders Eriksson (Chair), Petter Stillström, Stig Martín, Britten Wennman, Victoria Bohlin and Susanna Marcus. The Board of Directors also has two employee representatives nominated by the personnel, Cecilia Nilsson and Tomas Högström. For more information about the Board Members, visit the website: www.softronic.se.

The company has a nomination committee that consists of four people. The nomination committee should serve as a channel through which individual shareholders can communicate their proposals for the composition of the Board and ensure that these proposals are taken into consideration well in advance of the Annual General Meeting.

The company also has a remuneration committee, consisting of Anders Eriksson and Petter Stillström. The responsibility of the remuneration committee is to prepare well thought-out contracts with the Chief Executive Officer and other senior executives. The remuneration committee held one meeting at which both members were present. According to the decision at the latest Annual General Meeting, similar to the Board's proposal for the next meeting, the guidelines for remuneration to senior executives are that all remuneration must be competitive and allow qualified senior executives to be recruited and retained. The work of the Board of Directors also requires the involvement of the CFO and the COO, and in certain cases, business area managers. Eight Board meetings were held in 2019, at which all members elected at the Annual General Meeting, except for Anders Eriksson, were present. Anders Eriksson took part in the Board work, but did not attend every Board meeting. Petter Stillström was the Acting Chair at these meetings. Over the year, the Board has discussed strategic issues with regard to the organisation and business acquisitions. The rules of procedure for the Board, together with instructions for the division of work between the Board and the Chief Executive Officer, are established in advance by the Board for one year at a time, starting and ending with the Annual General Meeting.

The Board has not created a formal audit committee. Instead, the entire Board carried out the audit committee's tasks in that one meeting was held during the year at which all Board members were present. It is the Board's opinion that the Board, in its entirety, best possesses the experience and expertise within auditing, financing and internal checking that may be necessary to complete audit committee assignments. Information on Board members, the composition of the remuneration committee and the required information on the Chief Executive Officer's qualifications, work experience, significant roles outside of the company, shareholding and independence are available on the Softronic website. The work of the Board is evaluated once a year using a questionnaire and a discussion. Decisions on appointing or expelling a Board member, together with any changes to the Articles of Association are detailed in the Articles of Association available on the company website.

All members of the Board of Directors elected at the Annual General Meeting are independent in relation to the company and its management, except for Anders Eriksson in his role as former CEO. Anders Eriksson, Petter Stillström (through indirect ownership, Traction) and Stig Martín are not independent in relation to major shareholders.

**Chief Executive Officer**
The Chief Executive Officer is responsible for the ongoing management and control of the Group's operations. This includes implementation of the Group's overall strategy, business governance, controls and compilation of the financial reporting, allocation of financial resources and responsibility for financing and risk management. The rules of procedure for the Board regulate the division of work between the Board and the Chief Executive Officer.

**Remuneration**
The guidelines for remuneration to senior executives include the application of market employment conditions for the management team. In addition to a fixed salary, senior executives also receive performance-based variable pay. An evaluation of this remuneration policy including variable pay, remuneration structures and remuneration levels was carried out by the Board and the remuneration committee during the year and the determination was made that they are competitive. The Group does not have any outstanding share-based incentive programmes for senior executives or other employees. For more information, see Note 3 of the annual accounts.

**Nomination committee**
The company's Nomination Committee comprises the following members: Petter Stillström, Traction, Chair of the Nomination Committee, Andreas Eriksson, represents Anders Eriksson and related parties, Åsa Nisell, Swedbank Robur Fonder AB, Stig Martín, Board Member, own holdings. Petter Stillström is the Chair of the Nomination Committee The company deviates from 2.4 in the code as Petter Stillström is the Chairman of the Nomination Committee and a Board member.

**Internal control and governance processes**
Governance within Softronic is based on the vision, strategy and objectives within the Group that are used when preparing business plans, budgets and forecasts. Financial and personnel functions are coordinated within the Group staff, where the responsibility for internal control is managed. Business and administrative processes are followed up on a continuous basis, with results being followed up via financial internal reporting and analysis, to ensure ongoing governance and good internal control. Softronic's governance and internal control system is well designed. Given this, and noting the size of the company, the Board has chosen not to conduct a separate internal audit. The Board's responsibility with regard to internal control is laid down in the Swedish Companies Act and presented in the financial statements. The audit complies with applicable laws and regulations for Nasdaq-listed companies.

| Shareholders on 31 December 2019 | A shares | B shares | Share in capital % | Votes % |
|---|---|---|---|---|
| Anders Eriksson & family & companies | 1,875,400 | 9,318,160 | 21.3% | 33.8% |
| Traction | 589,000 | 11,000,000 | 22.0% | 20.4% |
| Stig Martín & companies | 891,600 | 3,345,600 | 8.1% | 14.8% |
| Swedbank Robur Fonder | - | 4,020,350 | 7.6% | 4.8% |
| Daniel Hägerlöf | - | 1,208,609 | 2.3% | 1.5% |
| Avanza Pension (insurance company) | - | 1,097,090 | 2.1% | 1.3% |
| Rambas AB | - | 840,900 | 1.6% | 1.0% |
| Core Ny Teknik | - | 782,458 | 1.5% | 0.9% |
| Commerzbank AG | - | 592,500 | 1.1% | 0.7% |
| Nordnet Pensionsförsäkring AB | - | 539,302 | 1.0% | 0.7% |
| Other shareholders | 14,000 | 16,517,834 | 31.4% | 20.1% |
| Total number of shares | 3,370,000 | 49,262,803 | | |
| Total percentage capital/votes | | | 100.0% | 100.0% |

Stockholm, 31 March 2020

Stig Martín
Board member

Petter Stillström
Board member

Britten Wennman
Board member

Victoria Bohlin
Board member

Anders Eriksson
Chair of the Board

Susanna Marcus
Board member

Cecilia Nilsson
Employee representative

Tomas Högström
Employee representative

**AUDITOR'S STATEMENT REGARDING THE CORPORATE GOVERNANCE REPORT**

To the General Meeting of Softronic AB (publ), CIN 556249-0192

**Assignments and division of work**

The Board of Directors is responsible for the Corporate Governance Report for 2019 on pages 24-25 and also for ensuring that this report has been prepared in accordance with the Swedish Annual Accounts Act.

**Audit scope and approach**

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

**Our opinion**

A corporate governance statement has been prepared. Disclosures in accordance with Chapter 6 Section 6 the second paragraph points 2–6 of the Annual Accounts Act and Chapter 7 Section 31 the second paragraph of the same law are consistent with the annual accounts and consolidated accounts, and conform to the Swedish Annual Accounts Act.

Stockholm, 31 March 2020

PricewaterhouseCoopers AB

Nicklas Kullberg

Authorised public accountant

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