

“

**To create
future
winners**

”

Annual Report 1999

SOFTRONIC

”

**...using
Internet-
technology**

”

Annual Report 1999

SOFTRONIC

Softronic AB 2000

Produced by Kind & Partners and Softronic

Design: Mats W Nilsson

Photographer: Olof Holdar

Printed by Danagårds Grafiska

Contents

The year in review	6
About Softronic	7
Interview with the Managing Director	8
Board of Directors' commentary	14
Total Balance Sheet	15
Market Capital	16
<i>The digital company – the path into the future</i>	16
Human Capital	21
<i>Working towards common objectives</i>	21
Structural Capital	24
<i>Fast and reliable solutions</i>	24
Social Capital	26
<i>Towards the digital society</i>	26
Financial Capital	28
<i>The Softronic share</i>	28
<i>Financial Statement and Management Report</i>	32
<i>Auditor's Report</i>	42
Board of Directors and Executive officers	44
Addresses	46
Glossary under the tab	

Shareholder information

Annual general meeting 2000

The annual general meeting will be held on Thursday, 4 May. A separate notice of meeting shall be dispatched no earlier than six weeks and no later than four weeks prior to the meeting. In order to participate in the annual general meeting, shareholders must be entered in the share register kept by VPC AB no later than 20 April. Shareholders must also notify Softronic of their participation by 4.00 pm, 28 April at the latest. Notification can be made by mail (Softronic AB, Ringvägen 100, S-118 60 Stockholm), by telephone (+46 8 51 90 90 00), by fax (+46 8 51 90 91 00) or by e-mail (bolagsstamma@softronic.se).

Shareholders who have allowed their shares to be registered in trustee names must, through the trustee, temporarily register the shares in their own name with VPC in order to have the right to participate in the annual general meeting. Such registration must be made in good time before 20 April.

Recommended dividend

The board of directors has recommended a dividend of SEK 1.50 per share. The proposed record day is Tuesday, 9 May. Payment will be made on Friday, 12 May.

Scheduled reports and financial information 2000

Interim report, Jan-Mar	28 Apr
Interim report, Jan-Jun	4 Aug
Interim report, Jan-Sep	25 Oct

Obtaining reports

Reports and financial information are published on Softronic's website: www.softronic.se. You may also order copies by telephone (+46 8 51 90 90 00) or via e-mail (info@softronic.se).



Yet another expansive year



- » Earnings before tax increased by 81 percent to SEK 49.2 (27.2) million.
- » Net sales rose by 61 percent to SEK 311.0 (193.4) million.
- » 82 percent of increase in net sales attributable to organic growth.
- » A main focus in 1999 was on Internet and web technology combined with strategy and management.
- » Acquisition of the management consulting firm Consultus AB has increased the opportunity to participate in the strategic processes of client companies at the executive level.
- » New customers in 1999 included Universal Air Express, Telgebostäder, Net Insight, Pharmacia&Upjohn and CityMail.
- » Two state of the art projects were delivered in 1999: a system that digitalised all operations for the Swedish Salaried Employees' Union HTF and a digital operations solution for Danica Fondförsäkring.
- » The five largest customers accounted for 42 percent of revenues in 1999. Of the total client base, 27 customers were billed SEK 2 million or more.
- » ITM is marketed through Softronic and, beginning in 1999, through partners. Alliances were forged during the year with IBM Sweden, IBM Denmark and the British Rebus Group, with operations in 40 countries.
- » The number of employees rose by 62 percent during the year, from 216 to 351. The increase occurred through new recruiting (113 people) and acquisition (54 people).
- » 32 employees left the company during the year. Employee turnover was 11.6 percent.
- » An industry-wide study of working climate was carried out in 1999. The results showed that Softronic employees are generally more positive towards their employer than the industry average. The company distinguishes itself primarily upon three points. Employees say that they work for an attractive employer, that the company has good prospects for future success and that they have good opportunities to advance within the company.
- » A new internal tool, Softprocess, was created. Softprocess is a web-based system containing descriptions of Softronic's operational process.
- » In December, Softronic was named one of the 500 most successful companies in Europe with respect to creating new jobs. There were 22 Swedish companies among the 500. Softronic was placed 16th in the list of these 22 companies.

Focusing on Internet technology

Business concept

Softronic provides solutions based on modern IT, which in today's terms means Internet technology, in order to create better business for the clients. Softronic works in close long-term partnerships with the clients and is the complete business/IT partner.

Mission

Softronic makes ideas a reality by building digital companies. In doing so, the company creates the winners of the future.

Delivering digital companies

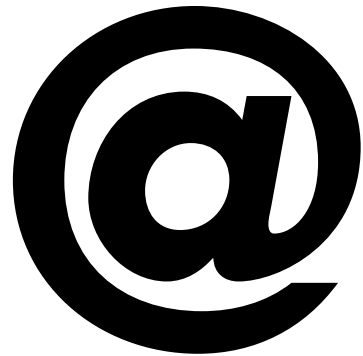
In recent years, Softronic has focused on using Internet technology to assist customers in the change processes made necessary by the new economy. The company has used Internet technology in all new projects since 1997.

Internet technology builds extraordinary added value within and between companies, which is critical for creating new opportunities and success. This is where the great challenge of today lies. Softronic's solution is to develop digital companies and the company's insight and total competence creates a winning concept for its customers.

Softronic's concept and competence are industry-neutral. Customers include Net Insight, Skandiabanken, The Federation of Swedish County Councils, The Swedish Building Workers Union, Stora Enso and the Swedish Civil Aviation Administration.

Growth platform

Softronic is investing in robust growth. Accordingly, Softronic has created an organisation based upon IT Partner Areas with focus on the customer and the employee. The concept is similar to franchising. All IT Partner Areas are unique and self-governing, but have a common business concept and joint structural capital. Softronic thus differs from the hierarchical companies and conglomerates that are otherwise common in the industry. The ITP-organisation is successful. In 1999, Softronic was among the companies showing the greatest organic growth in the IT and Internet industry. There are several subsidiaries of the parent company with individual business concepts that complement other operations.



The company in brief

Anders Eriksson, managing director of the company, founded Softronic in 1984. Softronic is an expansive Internet company with 360 employees in four cities in Sweden, Denmark and Estonia. Additional sales offices are located in England, France and the United States.

Objectives for 2000

- » Up to ten new business units will be started, compared with four in 1999.
- » The insurance program ITM shall strongly increase market shares outside Scandinavia. This shall be achieved through aggressive marketing and the help of partners. A major venture in the U.S. market has begun.
- » Softronic intends to acquire Internet-related companies. Highest priority has been awarded to acquisitions of companies in the market communications field, but other companies may also be considered.
- » Softronic will be investing in vigorous growth, which is an absolute necessity to be a winner in the Internet competition.

“Helping customers become the winners of the future”

Since it first started in 1984, Softronic has been working to make both its customers and its own ideas become reality. The company is achieving rapid, profitable growth and today has many strong IT/Internet references.

**An interview with Anders Eriksson,
Managing Director of Softronic AB**



“We began using Internet technology early on to digitalise our customers’ operations with the objective of doing better business. Our solutions are based upon a holistic view that is helping our customers become the winners of the future,” says Anders Eriksson, Managing Director of Softronic.

Anders Eriksson has no doubt there is a revolution going on in the Internet field:

“Advances in technology today are so fast and so comprehensive that they affect every company – from both internal and external perspectives alike. Globalisation and the Internet are the engines of the new economy, giving companies opportunities to achieve wholly new objectives – often in new markets and with new target groups. At Softronic, we help companies exploit new opportunities and realise their ideas.”

The digital company – a total solution

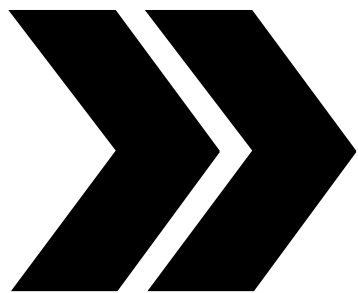
Anders Eriksson compares the modern, digital company with an iceberg. The tip of the iceberg is made up of public e-commerce solutions and other Internet solutions offered by content providers.

“So far, focus has been entirely on the market communications aspect of the Internet. But the Internet is much more than a digital marketplace. The truly interesting thing is to pull all of the company’s processes into the web environment, creating the digital company. That is our particular area of expertise. The Internet is changing working methods and approaches, bringing strategic consequences to everything that happens inside a company. We have in several cases built digital companies with our customers using Internet technology to create new structures within and among companies. To manage this, expertise concerning IT and the Internet is not enough. Strategic business development skills are equally vital.”

As a complement to Softronic’s deep and wide-ranging technical profile, competence has been provided through the acquisition of the management consulting firm Consultus. This enables Softronic to manage major organisational changes, reconstructions and other change processes.

“Demand for the IT and management mix is rising,” relates Anders Eriksson. “The technology itself is not the bottleneck standing in the way of





“New technology is Softronic’s hallmark”

achieving true change. The most difficult issues often concern business and organisational consequences, and not least, how to get people behind us in the change process. That is why we chose to acquire Consultus.”

From the very first discussions between Softronic and Consultus, a strong affinity between the two companies became apparent.

“Consultus is an ideal partner,” states Anders Eriksson. “The company is a heavyweight player with some of the most experienced consultants in the market. We have common values and work in similar ways. We experienced our collaboration as fruitful during joint projects even before the acquisition. The acquisition has given us the competence to work with business strategy issues and, together, strengthen the arguments surrounding the opportunities of the new economy and offer even better solutions.”

The Internet – part of everyday life

Anders Eriksson says that 1999 was the year the Internet became a part of daily life for companies as well as a strategic issue:

“The Internet companies, once looked upon with such scepticism, have suddenly become acceptable which poses a very interesting question: How can these companies keep on being rebels when they are defending something that is here to stay and is an ordinary part of daily life?”

Softronic and other companies rooted in sophisticated systems development are, for example, rapidly adding the knowledge held by content providers concerning market communications. The content providers are responding by shoring up their systems competence and new players, such as management consultants and advertising agencies, are entering the market.

“We are all going to meet in the middle of the playing field and the customers will decide which companies are best equipped,” says Anders Eriksson.

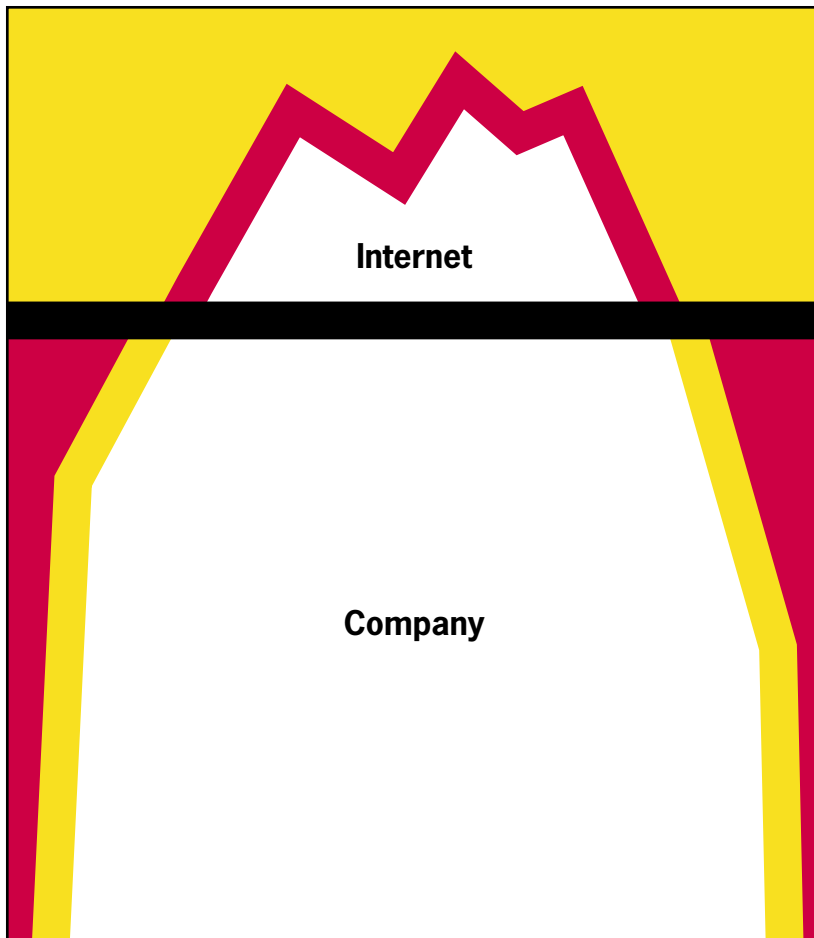
He goes on to say that customers are becoming more knowledgeable. They have become more visionary and see in the new technology tools for making their businesses more efficient, for offering new services, taking larger market shares, conquering new markets and realising new objectives. They understand that opportunities are far greater than they were just a few years ago, and that new technology is a success factor for becoming a winner in the new economy.

“The capacity to add new technology is Softronic’s hallmark and a critical element of our business concept. It is also the reason we were so quick to make the Internet an integrated part of our solutions. We are on the leading edge of Internet development and when the next wave of technological advances are launched, we will be the first with those as well.”

Rapid implementation

The greater efficiency and competition that the Internet makes possible have made time-to-market an increasingly pivotal concept.

“Customers understand the connection between time, function and cost – the three parameters that control a project,” says Anders Eriksson. “Many have realised that in certain situations, it pays to have higher investment costs for a short period, in order to shorten the start-up period up to the moment that the system is put online. By doing this, revenues are gene-



The digital company can be compared with an iceberg where only the tip – the public e-commerce solutions – is visible. While many focus on the tip, Softronic has an overall view of the iceberg.

rated faster and the surrounding business environment does not have the time to change that much during the term of the project.”

The partnership with Danica Fondförsäkring is a good example of a project where time-to-market was an important factor. Danica Fondförsäkring was founded in Sweden in November 1999 and is a subsidiary of Denmark’s largest insurance company, Danica.

“Danica Fondförsäkring specialises in unit trust insurance for companies and private individuals,” Anders Eriksson explains. “To establish the company in the still rather conservative insurance market, they wanted a complete, wholly integrated and digital operational solution. This would allow them to compete by providing superior service with low administration costs. Danica Fondförsäkring chose to collaborate with us and our product ITM Insurance, which was designed to meet their requirements and take advantage of the conditions created by the new economy.”

“Softronic implemented ITM Insurance with a unit trust module for Danica Fondförsäkring in only nine months. And the system was delivered on the appointed day, which is very unusual in the IT and Internet industry. With ITM in their arsenal, Danica Fondförsäkring can handle equal or larger business volumes than the large companies with only about ten employees. The results weren’t long in coming. During their first two months in business, Danica sold SEK 250 million in unit trust insurance policies!”

Through the Danica project, Softronic strengthened its reputation as a provider of solutions that meet the customer’s needs on time.

“The factors that make this possible are our holistic view and our deep and





wide-ranging technical expertise,” says Anders Eriksson. “Our partnership with Danica Fondförsäkring is continuing and they want to have bank branches, insurance brokers and customers with them via the web in 2000.”

Personnel the critical success factor

How will Softronic remain on the front line of technology?

“We shall hold our position by recruiting the right people and allowing every employee to enhance his or her skills,” says Anders Eriksson. “That way, they can take on new challenges and learn even more. We will continue to support the development process through education, training, or simply by allowing people to work in interesting projects and learn new roles. Giving employees the right training at the right time so that the skills they learn can be put to immediate, practical use is invaluable – both for the learning process and customer benefit. Training should always be solution and customer oriented.”

Anders Eriksson believes there are certain unmistakable features that characterise Softronic’s corporate culture.

“One important part of our culture is that we avoid conventional solutions. We think it should always be possible to disconnect, rebuild and create something new without having to change platforms. Scalability – that the solution works equally well for five users as for 100,000 – is a critical element of this thinking. Our customers usually say that Softronic’s consultants are goal-oriented and technically expert and that they don’t give up easily. They think we get on track fast and that we are flexible.



Growing – and profitable

Right from the start, Softronic has delivered both growth and profits every year – and 1999 is no exception. The year began strongly, with net sales being stable at about SEK 70 million for the first three quarters, then increasing to SEK 100 million in the fourth. Net sales rose during the year by 61 percent to SEK 311 million. Income after financial items was SEK 49.2 million, an increase of 81 percent compared with the preceding year.

“The figures include the acquisition of Consultus, but even if we eliminate that, we are still a good bit over our annual budget for growth and profitability,” relates Anders Eriksson.

Strong upward price trend

Like many other IT and Internet companies, Softronic’s share price showed highly positive development during the year. Softronic has been affected by the general upward valuation of IT stocks. However, it is important to note that Softronic is part of an elite cadre – Internet companies that actually make money.

“It is important to remember that price trend and reality are two different things. When people call me and say ‘my, how well things are going for you,’ or ‘things seem to be going poorly now’, I often wonder what they mean. While they are talking about the price trend for the Softronic share, I am thinking about operations. As said, they are two different things.”

Creating the winners of the future

The final question to Anders Eriksson is: How will Softronic continue to develop in 2000?

“We increased our visibility in 1999 and communicated our message more successfully than in the past. We shall continue in that direction in 2000, with the aim of becoming known as the Internet company that, together with its customers, builds digital companies that will become the winners of the future. We will be investing in robust growth throughout 2000 – an absolute necessity for becoming successful in the Internet competition.”

“We will market ITM world-wide, but we mainly see the Nordic region as our domestic market and we want to continue expanding in the Baltic region. Expansion shall be achieved both organically and through the acquisition of strategic businesses. The acquisition of Consultus is a prime example of this ambition. We shall continue the strategy in 2000 with acquisition of Internet-related companies. Acquisitions of companies in the market communications field have highest priority, but other companies may be of interest as well. We shall remain a long-term partner to our customers and we want the partnerships to be more of a symbiosis than a traditional customer/supplier relationship. Creating customer benefit is not just about increasing revenues, raising the level of service, or making the customer’s operations more efficient. It is also about creating a feeling of success and that there is always an opportunity to come one step further.”

“Delivering
both growth
and profits”





Patrik Engellau

Among other accomplishments, Patrik Engellau is an opinion maker, futurist researcher and managing director of AktieTorget i Norden AB. He has been a member of the board of directors of Softronic since 1997.

Imagination that makes visions a reality

What do you think sets Softronic apart from other IT companies?

“Softronic has been in the market longer than most and has consistently combined growth with profitability. This is no mean achievement and certainly more than you can say about many of today’s stock market miracles. Stability and reliability are two of Softronic’s main features. I believe customers value orderliness in an IT world that is rotating on its axis faster all the time.

Softronic has talented personnel who, in addition to technical skill, possess another very important quality: imagination. This is an asset that is becoming ever more important as technical limitations become fewer and opportunities to make the customer’s visions a reality become greater.”

How will you personally be contributing to the work of the board?

“The current progress of IT has an impact on all of society and the lives of every individual. To understand trends and dare to predict the future, you have to have a holistic view encompassing far more than technical progress. I believe I have something to contribute here, since I am used to working across borders and putting the historical, political and lifestyle aspects into what is done and what happens.

Softronic is not as well known as it deserves to be. I also hope I can help put Softronic on the map outside the IT and Internet industry as well.”



Pieter Tham

Pieter Tham is a former financial reporter, including the prestigious Swedish financial news programme *Aktuellt i A-Ekonomi*, and is the former news director for TV 8. Today, he is a partner in H.O.T. Vision, a company engaged in media training and web TV. He has been a member of the board of directors of Softronic since 1999.

Total grasp on solutions

What do you think sets Softronic apart from other IT companies?

“Softronic takes the overall view and does not – like some of its competitors – work solely with an eye on ‘billable hours’. Instead, the company takes a total grasp on solutions, from strategy to implementation and operation.

As I see it, Softronic builds products that work. I particularly like the insurance solution *ITM Insurance*, which has the potential to become a best seller in the insurance industry, which is facing major changes in the next few years.

The management has visions and is responsive to changes and new market conditions, something that comes through loud and clear at board meetings.”

How will you personally be contributing to the work of the board?

“Good solutions are not enough to ensure success – the company has to be visible as well. I hope to be able to contribute with my knowledge of media and how messages should be formulated and communicated to reach the target audience.”

Total Balance Sheet

Nowadays, constant change is the status quo and a company's ability to navigate in this changing world is a critical success factor. The prerequisites for future earnings and profitability are determined not only by the values shown in the income statement and balance sheet.

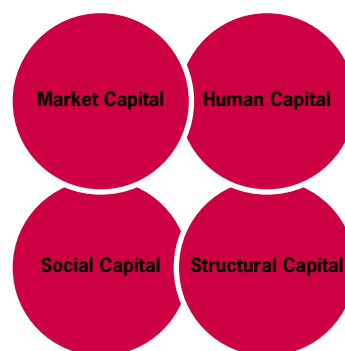
Various methods for measuring, reporting, controlling and developing these values have emerged in recent years. The management firm Consul-tus has developed one such method, the "Total Balance Sheet" or TBS. This annual report was based upon the TBS structure. In a TBS, financial capital is complemented with four categories of strategic capital to provide a more complete picture of the company's potential to generate future earnings and profitability.

Market capital expresses the organisation's outward efficiency; that is, the value of loyalty and satisfaction among customers and other market stakeholders. It also describes the customer benefit and development opportunities inherent in products and services.

Human capital reflects the satisfaction, commitment, knowledge and development capacity of employees. This form of capital is of vital importance to customer loyalty, and subsequently profitability.

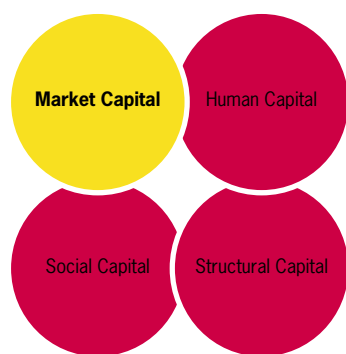
Structural capital expresses the value of efficient processes and a purposeful organisation. Solid structural capital strengthens market capital. Good internal processes and tools yield effective, high quality customer projects, which in turn boost profitability.

Social capital is the ability to create social benefit and develop the internal and external environment. Helping create new jobs and a strong and competitive trade and industrial base also generates social benefit.



Four categories of strategic capital that combine with financial capital to create future profitability.





Market capital reflects how Softronic and the company's concept are perceived. How Softronic manages and develops its market capital determines its earnings capacity. To build robust, long-term market capital, Softronic works in partnership with its customers. The focus is on customer benefit and Softronic provides flexible, adaptable, and future-proof solutions based on creative usability design, business development and modern technology.

Today, company digitalisation is the determining factor when investments in business development are made. Softronic's solutions for building digital companies are based on substantial competence within strategy, technology and usability.

The digital company

– the path into the future

Modern technology is a broad concept, one that most people think of as synonymous with IT. Since the beginning, Softronic has worked with modern technology and, with 20/20 hindsight, it can be established that the company winnowed out the right trends and have made successful choices. The most interesting thing is not technical competence, but rather how it is applied. For instance, Softronic built the first Client/Server solution in Sweden, created early Windows applications, and was one of the first Swedish companies to employ web technology.

One success factor in this context is that Softronic builds solutions that are flexible, adaptable, and prepared to meet future demands. The solutions give the user great freedom, can be easily adapted to new needs, and new technology can be added easily.

Technology

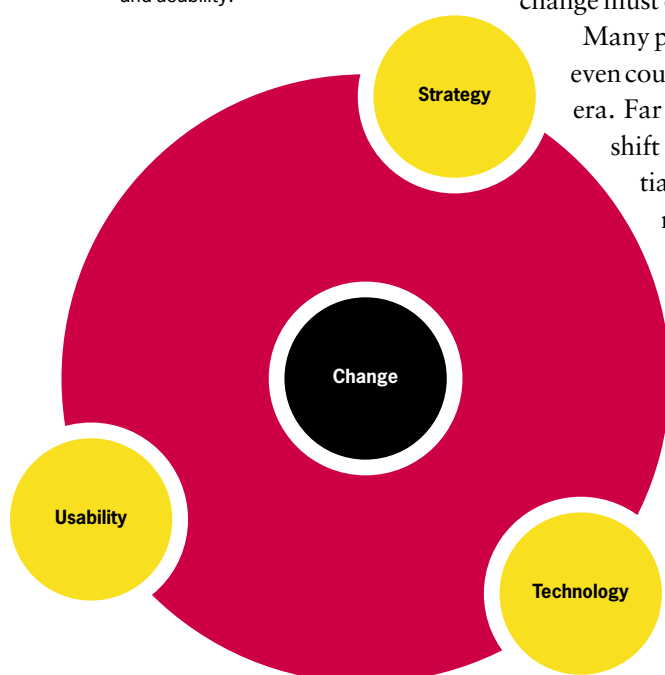
A new era is creating new opportunities

It became even more apparent in 1999 that the Internet is shattering traditional patterns and creating new opportunities. For companies and organisations to become the winners of the future, every activity must be connected using web technology – digital companies must be built.

The digital company can be compared to an iceberg. The tip of the iceberg corresponds to the company's interface towards the customer, where many put their main focus. Under the surface lies the entire company's collective information and processes. To succeed in the new economy, the change must encompass the whole iceberg.

Many people have yet to accept that it takes innovative thinking and even courage from time to time to exploit the opportunities of the new era. Far too few have taken the consequences of the paradigmatic shift from the industrial age to the information age. Many potential Softronic customers are to be found among these companies. The fundamental condition of the information age is that information is the raw material before all others, and that the Internet is the load-bearing infrastructure. Those who are first to fully comprehend this and adapt their businesses accordingly take a lead that their competitors find difficult to catch up.

Softronic supports the customer's entire change process. The company's management consultants are specialists at IT-driven change and the engineers and developers master the technology, both front-end and back-end. Projects encompass everything from public e-commerce solutions and connections to operational systems, to strategic and organisational consequences.



Strategy

Consultus, a guide into the new economy

Strategy, change management and organisation are three strengths Softronic acquired through the purchase of Consultus in 1999. Together, the two companies meet the customer's need for management integrated with IT, a critical success factor in the development of modern companies and organisations in the new economy – and the whole becomes greater than the sum of the parts.

Consultus was founded in 1974 and is now one of the leading firms in the field of leadership development and strategic advice related to organisational change. The company is one of the largest Swedish-owned management consulting firms, with offices in Stockholm, Brussels and Paris. Through its part ownership of the European network Allied Consultants Europe, ACE, Consultus also has a strong local presence on the Continent.

Consultus and Softronic have similar cultures based on professionalism, a long-term perspective and partnership. The companies share the same view on business and IT developments within Internet and e-commerce. Both companies work in close partnership with their customers to achieve the objectives of increasing the customer's profitability, growth and competence.

Consultus has traditionally worked within three areas: strategy, organisation, plus leadership and corporate culture. Through the alliance with Softronic, Consultus has in a short time become a trendsetter within a fourth area, that of web strategy. Together, the two companies are helping customers make the transition from the old economy to the new by exploiting the opportunities of the Internet in all business processes.

Consultus maintains strong core competence in its senior consultants while constantly adding young employees who provide ideas and knowledge about the network economy. The company's consultants work closely with the customer, using documented methods. The secret lies in mobilising the customer's own resources to achieve major results with relatively minor investments.

The company's clients are primarily service-oriented companies, but traditional industrial companies are increasingly engaging Consultus. The firm's clients include many of the largest companies and organisations in Sweden.

Consultus and Softronic collaborated in several projects in 1999. Consultus is a subsidiary to Softronic and during 2000, strategies and guidelines for co-operation will be formulated.

The Consultus business concept

Consultus guides people and companies towards the realisation of their visions in the new economy, by integrating strategy, organisation, leadership, people and IT.

Softronic in the real world

Universal Air Express, UAE

Wings with IT

Universal Air Express, UAE, is a modern, development-oriented freight forwarding and logistics company. The company has been profitable since the start in 1988. UAE is part of the global logistics network AEI. It is growing and will soon have 170 employees in an international group with four business units – Universal Air Express, Universal Fedex, UAE Logistics and International Sea Freight.

IT trickier than physical transport

UAE considers IT development to be fundamental to their future opportunities. The traditional transport apparatus no longer functions as an isolated process. Success is no longer just a matter of aircraft, boats and vehicles; it is a matter of IT and competence. IT is a strategic pivot enabling the offer of a transport concept in an international context with a high level of service and quality.

Everything accessible via the web

UAE has chosen a long-term strategic alliance with Softronic. Softronic participates in formulating the business strategy, based on IT, and then delivers operational systems that support the business concept, including a business-to-business solution that is unique in the industry.

New opportunities for UAE and its customers

In the new environment, all information flows freely and is used proactively. This gives UAE opportunities to develop existing services, create new services and provide a very high level of customer service. Manual procedures are eliminated and information is easy to access. This allows UAE to offer global state of the art service that optimises their own and their customers' work with freight forwarding and logistics.

Usability

Interaction between humans and computers

In order for computers to be as useful as possible, human aspects must be taken into account. Accelerated by the Internet, interest in the interaction between humans and computers rose considerably during the 1990's. Prior to that, efforts to determine how systems should be built were generally seen as an abstract, theoretical issue.

Softronic views creative usability design as one of the main ingredients in every project. It is the link between the technology and the user. The technology must serve a purpose and be easy to use. Softronic has recruited one of the few people in Sweden holding a doctorate specialised in the interaction between human beings and computers. He works on a practical level with the company's system architects concerning the user's situation. This strengthens Softronic's capacity to deliver functional systems that provide the customer with maximum benefit.

ITM – the digital insurance company

ITM:

- » Rapidly meets the customer's need for new products and services.
- » Offers a "business without borders" with high accessibility through communication over the Internet.
- » Is an open system with a structure adapted to the pace of technological change.
- » Is equally suitable for both large and small insurance companies.
- » Is equally attractive and usable in all geographical markets.

The insurance business is based to a great extent upon efficient information management, which places high demands on the insurance company's IT system. ITM, Insurance Technology Management, is a unit trust and insurance system developed and marketed by Softronic.

ITM is unique – no other system manages the new conditions and opportunities of the insurance market as thoroughly or as well. It does not only support the business, but is a complete, state of the art insurance company. By using ITM, the insurance company can sharpen efficiency, provide better service, increase profitability and improve readiness for coming structural and technological changes. ITM is creating the winners of the future.

ITM has two meanings for Softronic. First, it is a product distributed via partners and that generates licence revenues. Second, the product generates many important projects and IT partnerships for the entire group.

Distribution via partners in a global network

Responsibility for development and distribution of ITM lies with the subsidiary company Softronic ITM. Softronic ITM does not work directly towards the end customer, but rather distributes ITM globally via a growing number of partners.

Softronic is forging ahead with the launch of ITM in important markets: the Nordic countries, Great Britain, Germany and the United States. Alliance agreements were signed in 1999 with IBM Sweden, IBM Denmark and the British Rebus Group, with operations in 40 countries.

ITM is developed in collaboration with partners and customers. Customers are the most critical evaluators and are therefore a key in driving development ahead. For example, a unit trust administrative module, ITM Fund, was integrated in ITM in response to customer need.

An industry in transformation

The insurance market all over the world was until a few years ago heavily regulated by national laws. This created an oligopolistic market made up of heavyweight players and an accepted business pattern. Current conditions are utterly different. Deregulation has led to increased competition and higher demands for service.

In addition, the Internet has given insurance buyers greater opportunities to acquire an overview of the market and compare services and prices. Insurance companies today have to be innovative, flexible, fast and give value for money to win new customers and keep existing ones.

The concept of success in the new economy

ITM is the most flexible insurance system on the market. The functions that manage product development are unique. ITM offers simple, lucid products that can be rapidly distributed to customers all over the world at competitive prices. New insurance products can be created without programming, which allows a very short time-to-market.

Because the system is multi-layered and modular, no major drastic changes to the system are required if the insurance company's business or working method changes. Components can be replaced or added and the system is scalable and works equally well for large and small companies. New technologies can be implemented in ITM as they are born, which means the system will always be on the leading edge of technology.

Content Server – the portal to the digital company

Content Server is a tool used to publish information on the Internet and intranets. Content Server creates the opportunity to present, publish and manage the company's information in a lucid, rational manner. Content Server is capable of presenting information on web pages, WAP telephones and PDAs, as well as XML.

Content Server is so user-friendly that anyone in the company can load the portal with information. The system is based on users having different roles – the editor controls content, the designer controls design and writers submit current information in the form of articles.

Softronic in the real world

Danica Fondförsäkring AB

A new player in the Swedish unit trust insurance market

Danica Fondförsäkring AB opened in Stockholm in 1999. The company is, and intends to remain, Sweden's smallest and most modern insurance company. Danica Fondförsäkring's roots are in Denmark. Danica, the parent company, is Denmark's oldest and largest insurance company with revenues from premiums approaching DKK 10 billion. Through its establishment in Sweden, Danica Fondförsäkring is aiming to challenge the big Swedish companies in the field of unit trust insurance.

IT is shattering traditional patterns

To create a concept that benefits from the new market conditions that the new economy is creating and that will last long into the future, Danica Fondförsäkring needed a flexible EDP system with very high capacity and extendibility. This would allow them to manage larger business volumes than the big companies without losing personal commitment or the ability to deliver fast, efficient service.

Technology adapted to the future

To make their ideas a reality, Danica chose to invest in an alliance with Softronic and the ITM insurance system. A joint effort to develop ITM into a unit trust insurance system was started. The first version went online in November 1999, when Danica's Swedish operations began. The extremely modern system is based on Internet technology with a web interface for users. The unit trust insurance system is one of the pillars of Danica Fondförsäkring's concept and operations.

Minimised labour – maximised turnover

Danica Fondförsäkring's concept is pioneering and challenges traditional business patterns. The company consists of a small, fast-on-its-feet team that specialises in unit trust insurance. From day one, Danica Fondförsäkring was a smash hit, selling unit trust insurance in the amount of SEK 250 million in the first two months. Just ten people administer all operations – which makes the whole even more remarkable. But Danica wants to go further – soon they will have bank branch offices, insurance brokers and customer with them via the web.

Softronic in the real world

CityMail

CityMail has elbowed its way into the market previously monopolised by Sweden Post. The company specialises in pre-sorted and bulk mail and sees itself as a complement to Sweden Post in Greater Stockholm, Göteborg, Malmö and on the island of Gotland. CityMail cover one third of all Swedish households and companies, corresponding to 50 percent of total purchasing power.

The art of breaking into a monopoly market

As a specialist company and challenger, CityMail competes by demonstrating the highest levels of competence, service and reliability in every situation. The business concept demands the ability to successfully manage rapid change. This in turn demands a flexible, adaptable and future-proof business and operational system that encompasses all business processes – down to the mailman level.

Small, smart and supple

For CityMail, IT is thus a complex and strategic issue that, used properly, creates competitive advantages and new opportunities. The constant development process demands pioneering competence in the field of IT. Through partnership with Softronic, CityMail is reinforcing its organisation on several levels. Softronic is a strategic partner in development, participating in the administration of CityMail's IT environment and developing new solutions that support CityMail's business concept.

Access to all of Softronic

The IT partnership gives CityMail access to the competencies it needs to create a successful concept for the long term. The company needs a flexible IT environment and operational system that can be adapted to the needs of the company and its business environment.

Customers billed SEK 2 million or more, by sector

1. Insurance & Finance
2. Trade & Service
3. Organisations & Public Administrations
4. Telecom
5. Other

Softnet – broadband for the digital company

Softronic has been working for several years with secure infrastructure and broadband technology in business-to-business contexts and to create new options for private individuals.

Softnet makes broadband communication possible between Softronic and the company's customers. Many customers also use Softnet to communicate with their own geographically separated workplaces. Softnet is nationwide, with connection points in Umeå, Stockholm, Göteborg and Malmö. Via Softnet, customers can utilise efficient and reliable services such as secure Internet access, surveillance, remote management, software distribution, remote operation and web hosting.

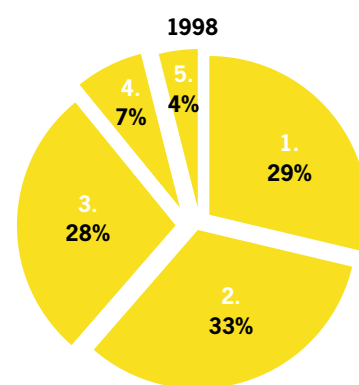
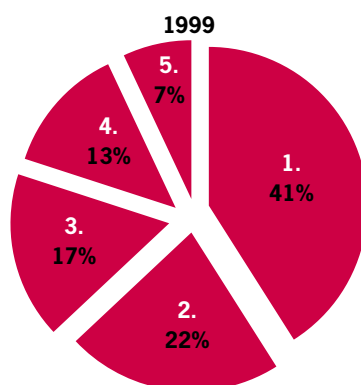
More than an IT partnership

IT has become a strategic management issue to an ever-greater extent. It is a complex area entailing stringent demands for competence and creativity on the part of decision makers, buyers and vendors. Success demands an IT partner that provides support and inspiration throughout the entire business development process and assumes responsibility for the whole when it comes to the IT environment and IT support. Only then can IT investments become true investments in the future. This is the crux of the idea behind Softronic's IT partnership.

Softronic's customers

Softronic is oriented towards large and medium-size enterprises. Softronic's competence is industry-neutral, but has so far been oriented more heavily towards service companies than industry. Demand for new era IT support is also rising among traditional industrial companies, which are to an ever-greater extent becoming knowledge companies, where information is one raw material among other raw materials. Through structuring and using the information, the industry can create opportunities for higher added value and subsequently higher earnings.

Softronic's main earnings base is made up of a few large customers. The five largest customers accounted for 42 percent of revenues in 1999. 27 customers, including 15 new customers for the year, were billed SEK 2 million or more, corresponding to 71 percent of total net sales. The proportions were essentially the same in 1998.

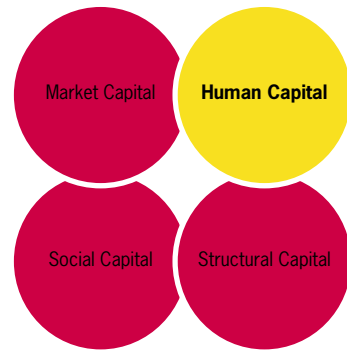


Working towards common objectives

Softronic is being developed to a great extent through the fact that the work is characterised by proactive entrepreneurship among managers and staff. Everyone is encouraged to break new ground and make his or her ideas a reality. Softronic projects are on the leading edge of technology, which is stimulating to all employees. This climate helps Softronic attract highly competent individuals – people who want to work with talented colleagues and new technology in successful projects.

Results-oriented competence development

Softronic's success is directly dependent upon the individual employee's competence – a fact that is typical for service companies in the new era.



Human capital is pivotal at Softronic – it is the efforts of the staff that create success for customers and the company. The value of human capital reflects the collective knowledge, potential for development and employee job satisfaction.





Softronic is positive towards personal competence development, but differs from many other companies on one point. Softronic does not provide training for training's sake, but rather when needs arise that are related to customer projects.

The time-to-market aspect is also important with respect to training. The Softronic University allows Softronic to customise training programmes with very short delivery times. At Softronic University, the company provides training in project management, and short courses on various methods, tools and technologies.

A strong corporate culture

It is important that everyone works in the same way and towards the same objectives, with the same culture and ideas – and yet independently. Accordingly, Softronic is working to strengthen the corporate culture and heighten awareness of the business concept, objectives and visions among the personnel.

To introduce newly employed recent graduates for example, Softronic holds recurring Rookie Training Classes. The courses last for four weeks and are aimed at presenting Softronic and teaching the company's working methods. Supported by this comprehensive introduction, the company's new rookies can begin working immediately in various projects and help generate revenue.

Capital that grows

Human capital grows when new competencies are provided through recruiting and acquisitions. At the beginning of the year, Softronic had 216 employees, to be compared with 351 on 31 December – an increase of 62 percent. During the year, 113 new employees joined the company, and 54 people were added through the acquisition of Consultus AB and Bellatrix AB. Examples of new or strengthened competencies include management, security and training.

Thirty-two people left the company during the year, corresponding to an employee turnover rate of 11.6 percent. This is consistent with Softronic's stated objective.

The labour market within IT and the Internet industry is overheated and the supply of experienced individuals in particular is limited. In response, a Human Resources function with main focus on recruiting and competence development was formed in 1999. The HR function also has a stated objective of recruiting women with the right competence, since only 18 percent of Softronic's employees are women.

“The Softronite”

Statistics tell us that the average “Softronite” is a 34 year-old male systems developer. He has 3.5 years of post-secondary education. He has 7.5 years of experience in the industry and has worked for the company for 3.7 years.

Of Softronic’s employees, 289 people, or 82 percent, are involved in customer projects and generate direct revenues. These individuals are engineers, systems developers, project managers and management consultants.

Among the remaining employees, 29 people are consultants and heads of subsidiaries, and 34 people are active within executive management, clerical staff and administration.

The working climate at Softronic

For the second year running, Softronic has carried out a survey of employee attitudes towards their employer and satisfaction in the workplace. This was done using an industry-wide attitude study designed by the IT companies within the Swedish Federation of Industries.

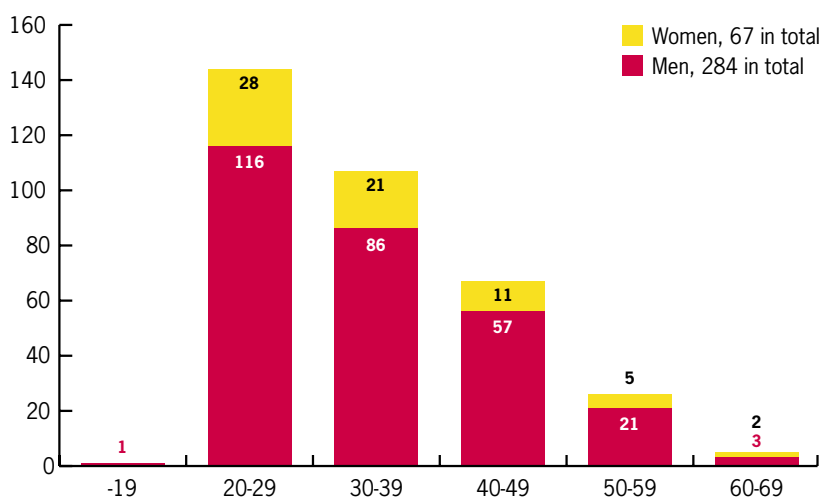
Softronic’s employees are generally more positive towards their employer than the industry average. The company distinguishes itself primarily upon three points. The employees believe that they (1) work for an attractive employer with (2) potential for a successful future, and that (3) they have good opportunities to advance within the company.

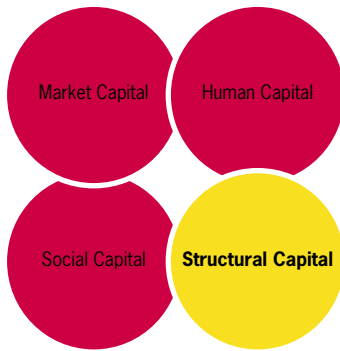
These particular points are important to Softronic’s ability to attract highly competent personnel.

Key figures – Human Capital

	1999	1998	1997
No. of employees as of 31 Dec.	351	216	166
Average no. of employees	276	190	161
Average no. of revenue-generating employees	250	163	
Net sales per employee (SEK k)	1,123	1,017	961
Added value per employee (SEK k)	770	690	470
Earnings before tax per employee (SEK k)	177	143	32
Average age (years)	34	34	35
Post-secondary education (%)	76	72	59
Years of post-secondary education (average)	3.5	3	3
Industry experience (years)	7.5	7	8.5
No. of years with the company	3.7	3.5	4.1
Employee turnover (%)	12	10	15

Age structure





Structural capital describes how the business is controlled, as well as working methods and the company's ability to systematise, package and re-use knowledge. In knowledge and service companies like Softronic, this has much to do with transforming human capital to structural capital. The strength of structural capital has a direct effect on market capital. Strong structural capital increases performance capacity, raises the quality of services and shortens the critical time-to-market.

Fast and reliable solutions

The digital company is dependent upon rapid, secure development. As a vendor to the digital company, Softronic must therefore base solutions upon a common working method and way of providing new technology. The digital company requires solutions that are open, possible to change and based upon successful concepts, products and components – areas where Softronic's structural capital makes a contribution.

Methods and tools

Softronic has created the CSE (Client Server Environment), which comprises project methodology and models for object-oriented analysis and design combined with process-oriented workflow techniques. CSE consists of reusable components, which are necessary to be able to build functional, reliable solutions fast.

Softronic started a news page on the Internet for systems developers in 1999, where the company's developers can continually access information concerning Softronic products and the Client Server Environment anywhere in the world.

The Softronic model for project management and systems development, Softprocess, helps to create a similar working method in all IT Partner Areas. Softprocess is a web-based system that contains descriptions of Softronic methods as well as that which is included in the operational proc-





ess, such as various phases, approaches, nomenclature, etc. Softprocess describes the operational process and its components as follows.

The business model: The basis of Softronic's business concept and the way the company does business. Comprises the process, direction and quality assurance.

Project management: Softronic's method of managing the individual project (initiation, project communications, reporting, quality assurance, project follow-up, project organisation and players).

System development method: Softronic's project implementation method. Consists of job dialogue, analysis (process modelling, use case analysis, work-flow modelling, object-oriented analysis, OOA, and analysis of existing systems), design (object-oriented design, OOD, and component design), and implementation (development of operational components, interactive prototyping of dialogue components, integration work and tests).

Introduction and operation: States how introduction and administration of application takes place (installation, training, acceptance test, establishment of administrative organisation, commissioning and delivery approval).

Efficient organisation

Softronic's organisation is non-hierarchical and divided into customer-oriented and self-governing IT Partner Areas (ITP). A typical ITP consists of 15-20 people and is managed by a strong entrepreneur. The ITP combines the efficiency and job satisfaction of the small organisation with the resources and collective competence of the large company. The customer has a single contact person at Softronic, who in turn has the entire IT Partner Area and all of Softronic's collective competence behind him or her.

Softronic in the real world

The Swedish Salaried Employees Union HTF

The Salaried Employees Union HTF is a trade union with 280 employees who organise more than 155,000 private sector employees in trade, transport and service. With offices in 19 locations throughout the country HTF assists the membership with information and union-related service.

A new approach to IT

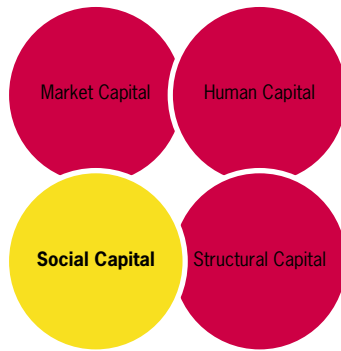
HTF wanted to digitalise its activities and be able to handle all administration in a single interface. Information should be usable and easily accessible to all users – regardless of geographical location.

Digitalising the entire organisation

HTF began a partnership with Softronic to digitalise its entire organisation, working according to three key words: standardisation, centralisation and simplicity. HTF now has a common platform that contributes to a common working method. From handling data, applications and operations locally, everything is now centralised to the head office – the 19 branch offices work in a common web interface over the HTF intranet.

A solution for the future

The new, digital HTF encompasses all activities. The system has been dimensioned according to present needs, but can grow in size, services and functionality without having to scrap all or part of the investment. The flexible solution will remain valid long into the future. The partnership with Softronic is continuing and the union services will now be put on the Internet. This will allow HTF to offer around-the-clock availability and service.



Softronic's social capital provides a picture of the company's capacity to create social benefit and to contribute to internal and external environmental efforts. Softronic has achieved consistent growth and profitability ever since it was founded in 1984. This makes Softronic both a secure employer that contributes to sustainable jobs growth and a secure IT and business partner.

Towards the digital society

Labour market issues are important in today's Europe. As we leave the industrial age behind us, available jobs have declined significantly in number. When comparing the United States and Europe, it can be established that the negative trend has not been nearly as dramatic in the U.S. The greatest contributing factor to the difference is that rapidly growing medium-size companies have created no less than 80 percent of all new jobs in the U.S.

Listed on Europe's 500

In order to take up the fight against the U.S. and other countries with respect to creating new jobs, a listing of European entrepreneur-oriented growth companies was started in Europe in 1995, called "Europe's 500." This form of survey can be used to demonstrate the engines of growth and how significant these companies are when it comes to creating new jobs and social growth. Europe's 500 is run by the EU-funded organisation Growth Plus.

Creating new jobs

The list for 1999 was published in late December. There were 22 Swedish companies among the 500, of which Softronic was one. Softronic was listed in 16th place among the 22 Swedish companies¹. The list is based upon a job-creation index called the Birch Index, which takes into account both absolute and relative growth, and upon seven criteria for dynamic entrepreneurship. To qualify as one of Europe's 500, companies must meet all seven criteria.

¹ In 1993, Softronic had 46 employees and in 1998, 210 employees. The Birch Index is thus $(210-46) \times (210/46) = 164 \times 4.565 = 749$. A temporary employment firm had the highest index among Swedish companies at 43,435. A chemical company had the lowest index, at 271.

1. The owner/entrepreneur must be actively involved in the company during the reference period and own at least 15 percent of the company's shares.
2. No more than 50 percent of the company's shares may be owned by another company group.
3. During the study period of 1993-1998, growth in net sales must have sustainably been at least 50 percent and the number of employees must have risen by at least 33 percent.
4. Both financial and workforce growth must be organically driven and not consist of acquisitions.
5. The company must be profitable.
6. The company must have between 50 and 5,000 employees.
7. The company must be more than three years old.



Creating opportunities in the new economy

Softronic also contributes to society from a much larger perspective than that of new jobs alone. Through the working method, Softronic contributes to the development of customers' businesses, and therewith business and society at large. Softronic's perspective is that the new and flexible technology that customers must have over the long term must successfully create new opportunities according to the patterns allowed by the new economy. Softronic's three main messages: to make ideas a reality, to create the winners of the future, and to create digital companies, are strongly supported by the logic of the new economy.

» Making ideas a reality and creating the winners of the future

Technology is not interesting from a social perspective, in and of itself. What technology does help create may be that which separates the winners from the losers – new opportunities. New opportunities promote development and in turn create new ideas that Softronic can make a reality by means of the specific IT expertise. This is the essential driving force behind the cycle of the new economy.

» Building digital companies

The Internet has played a part in breaking up social patterns, and our economic system is in a revolutionary change process. The most fundamental cause of this is that the entire world is being connected in a single network that can spread and accumulate opportunities worldwide. Efforts aimed at utilising the network's capacity to forward an infinite number of opportunities start in the initiating organisation – it must be digitalised. Only then can information be made available and used without attention to borders to create new opportunities that lead to success.

Softronic in the real world

Sturebadet

Sturebadet is a modern spa and fitness centre that provides everything from physical training to body and beauty care. The company has three facilities – Sturebadet, Frösundavik and Grand Fitness – with 220 employees, 6,000 members and a great many guest users of the facilities.

IT support reinforces the experience

Sturebadet wanted a modern system that could be implemented in stages. They envisioned an operational support system containing all necessary functionality for a modern fitness centre that could also be expanded as new needs arose.

A key to success

Softronic and Sturebadet have now created the market's most modern system for the fitness business. Everyone uses the same interface. Reservations for all three centres are handled centrally. This provides effective overall control and simplifies the whole reservations process. Customers are given a key when they check in, which is all they need to enjoy everything on offer. All treatments and purchases in shops and restaurants are logged via the key.

The digital spa and fitness centre

Softronic is Sturebadet's IT partner. Because of the close relationship, the project could be run with great awareness and understanding of Sturebadet's business. In addition to supporting daily operations, the system can provide reports and decision support, which was not possible before. A new corporate culture is emerging, wherein the computer plays a pivotal role.

“A sound company with attractive positioning”

**An interview with Lars Sveder,
technology analyst at Enskilda Securities**



What is your opinion of Softronic as an IT company?

“Softronic is a sound company with a good overall strategy and attractive positioning. The company works with long-term customer relationships and takes total responsibility, which generally reduces the operational risk. Softronic also has an interesting organisation, with decentralised allocation of responsibility, in which the various sub-units have a strong customer focus. This creates good conditions for an efficient, strong organisation.

The ITM software is interesting. Since Softronic focuses on finance and insurance, the company can use the web-based program ITM as a door opener to new customers – partially through the sale of licenses, but also in that ITM acts as an engine of growth for Softronic’s consulting business. With ITM, the company has the potential to strengthen customer relationships.”

What do you think are Softronic’s strengths and weaknesses?

“One of Softronic’s strengths is that the company can take total responsibility, from project management and business studies to systems implementation and operation. Another aspect worthy of mention is that Softronic is considered to be positioned well, since IT issues are gaining increasing strategic importance to companies. This has caused such issues to become an executive issue to a growing extent. In the light of that trend, the acquisition of the management consulting firm Consultus is highly positive, and means that Softronic can now take more comprehensive project responsibility. The company also gains the right “channels” into the customer, i.e., higher up in the organisations.

Corporate image and positioning are becoming ever more important with respect to IT companies and the fight for customers and human resources. This may constitute a threat to Softronic, since they have a lower profile than some of their competitors. This may seem of less importance, but we are seeing companies with a strong image in relation to the Internet, for example, but with a technically less sophisticated offer, being given assignments that should rationally end up with companies like Softronic. The corporate image is also becoming more important when it comes to keeping and attracting new personnel in the increasingly overheated consultant market. In our judgement, Softronic has good prerequisites for becoming and remaining very attractive, but this will at the same time demand investments and further development of the company to succeed, something that is indeed taking place.”

What do you think of the valuation of the Softronic share compared with other IT consultants?

“Since the company was listed in late 1998, the share has been valued in parity with the average for the IT service index of the Stockholm Stock



Exchange. When making a comparison, one can say that Softronic has the necessary prerequisites for lower operational risk than other companies, as well as a strong management approach. A good history of combining strong growth and profitability, as well as a potentially interesting value for ITM, lead me to say that the Softronic share should be assigned a premium relative to the average among Swedish IT-consultants.”

What do you believe will be important for Softronic's development in the future?

“As I said before, the single most important factor in our opinion is that Softronic continually further develops its corporate image so that it can attract customers and human resources in the future. I believe that Softronic should be early to invest in further development and marketing of ITM, which is potentially a major asset for the company. Last but not least, we believe that the company would be positively affected by reinforcing competence within the market communications aspect of the Internet, meaning the interface encountered in an e-commerce solution, for instance, either through acquisitions or alliances.”



Analysis of the Softronic share

Compiled by Delphi Economics

Comments on the chart

A: Early February

The beginning of the year offered a mediocre share price trend for the majority of IT companies listed on the Stockholm StockExchange. Softronic was no exception. Despite a strong earnings report in early February, the price per share declined during the first months of the year.

B: 26 March

An upward revision of the earnings forecast for the first quarter of 1999 boosted the share price and the negative trend was broken.

C: 22 April

Expectations were exceeded once again when the first quarter report was published, but there was no impact on the share price.

D: August

The rising interest in IT companies of late summer rubbed off on Softronic, which also presented significant earnings improvements for the first half of 1999.

E: 3 September

The share price jumped in connection with Softronic's acquisition of the management consulting firm Consultus.

F: 21 October

The third quarter demonstrated continued favourable growth and profitability. ITM had a minor breakthrough in the autumn and the quarterly report gave a positive, well-founded impression.

G: Mid-November

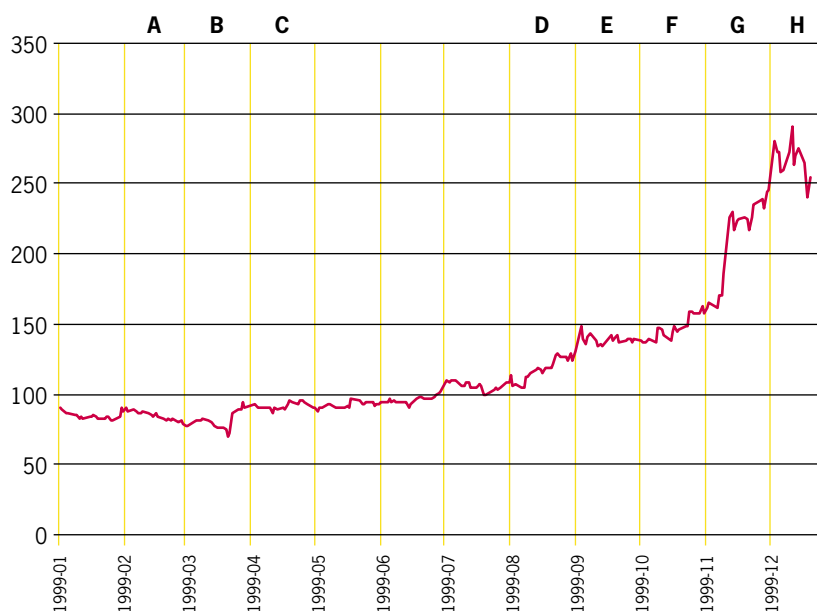
In the wake of the Internet consultant's fabulous autumn, the focus of the stock market switched to traditional IT consultants, with strong price upturns as a result.

H: 14 December

In December, the Softronic share price reached a record high of SEK 294. The price was driven up in part by speculations that Softronic was a perfect candidate for buy-out by the highly valued Internet consultant's.

Softronic's share price rose by an aggregate 166 percent in 1999. The company impressed analysts by showing that it can grow rapidly while maintaining good profitability. Even if Softronic's price trend pales in comparison with many other IT companies, the share still outperformed both the sx-General Index and other relevant comparative indexes by wide margins during 1999.

1999 share price trend



Share data

Principal shareholders as of 31 December 1999

	Class A	Class B	Total	Votes	Capital
Anders Eriksson and family, incl companies	468,850	962,845	1,431,695	43.0%	25.7%
Stig Martin	222,900	417,500	640,400	20.1%	11.5%
Björn Janberger incl companies	147,250	406,500	553,750	14.3%	9.9%
Alcatel IKO Kabel		764,400	764,400	5.8%	13.7%
Benny Lachmann and family	500	139,375	139,875	1.1%	2.5%
Didner & Gerge unit trust		127,500	127,500	1.0%	2.3%
Robur small cap fund		126,000	126,000	1.0%	2.3%
Mats-Olof Ekberg	2,000	100,900	102,900	0.9%	1.8%
Elisabeth Magnusson		110,480	110,480	0.8%	2.0%
Börje Rahm and family		99,500	99,500	0.8%	1.8%
Robert Fleming & Co Ltd		94,000	94,000	0.7%	1.7%
Premier Life Ltd		56,349	56,349	0.4%	1.0%
State Street Bank & Trust Co		55,000	55,000	0.4%	1.0%
Other shareholders (2,355)	1,000	1,263,951	1,264,951	9.7%	22.7%
Total number of shares	842,500	4,724,300	5,566,800	100%	100%
Total number of votes	8,425,000	4,724,300	13,149,300		

Development of share capital

Increase (year)	Transaction	Increase number	Increase capital SEK	Total capital SEK	Number of shares	Nominal amount SEK
1984	Issue at foundation	1,500	150,000	150,000	1,500	100
1985	New issue	500	50,000	200,000	2,000	100
1988	New issue	300	30,000	230,000	2,000	100
1989	New issue	500	50,000	280,000	2,800	100
1990	New issue	900	90,000	370,000	3,700	100
1992	Bonus issue	3,700	370,000	740,000	7,400	100
1996	Bonus issue	88,800	8,880,000	9,620,000	96,200	100
1996	Split 10:1	865,800	-	9,620,000	962,000	10
1996	New issue	24,700	247,000	9,867,000	986,700	10
1998	Split 5:1	3,946,800	-	9,867,000	986,700	2
1998	New issue	400,000	800,000	10,667,000	5,333,500	2
1999	New issue	203,000	406,000	11,073,000	5,536,500	2
1999	New issue	30,300	60,600	11,133,600	5,566,800	2

Institutional ownership

The share of institutional ownership was 24 percent of share capital and 10 percent of votes. The number of institutions with more than 5,000 shares is 16.

Dividend policy

The distribution of dividends shall be based upon careful consideration of desired dividend yield and the company's capital requirements for growth. Over the long term, the board of directors intends to distribute 25-35 percent of annual profits to shareholders.

New issue in 2002, warrants

In May, the annual general meeting approved the board of directors' recommendation of a warrants scheme for employees of the Softronic group. The employees thereafter acquired warrants on market terms, exercisable in June 2002, for subscription of 280,000 class B shares. The subscription price per share is SEK 115. In the case of full utilisation, the dilution effect will be 2.0 percent.

New issues in 2001 and 2002, additional purchase money

Under the condition that the shareholders' meeting gives its approval, the company shall carry out directed new issues to the sellers of certain subsidiaries acquired during 1999. The new issue in 2001 to the sellers of Consultus shall amount to 26,400 class B shares and shall offset SEK 6,667,000, recorded as a liability.

The new issue in 2002 to the sellers of Bellatrix shall amount to the SEK 1,500,000, recorded as a liability, divided by the average share price in December 2001.

Five year review

ABRIDGED CONSOLIDATED INCOME STATEMENT (SEK m)

	1995	1996	1997	1998	1999
Income					
Consulting services	46.9	80.3	106.8	157.6	270.8
Licences (ITM)	-	-	3.3	3.8	8.7
Goods	38.8	36.0	44.8	32.0	31.5
Total income	85.7	116.3	154.9	193.4	311.0
Operating expenses	-73.8	-110.8	-142.4	-162.6	-258.7
Depreciation according to plan	-2.0	-3.3	-3.2	-5.1	-8.4
Sale of subsidiary	-	-	-5.3	-	-
Net operating income	9.9	2.2	4.0	25.7	43.9
Net interest income and expense	0.9	0.8	1.1	1.5	5.3
Net income after financial items	10.8	3.0	5.1	27.2	49.2
Tax, incl. deferred tax	-3.0	-1.4	-1.5	-8.3	-15.2
Minority participations	-0.1	-0.1	-0.9	-	-
Net income for the year	7.7	1.5	2.7	18.9	34.0

ABRIDGED CONSOLIDATED BALANCE SHEET (SEK m)

Assets					
Fixed assets	5.3	9.4	9.1	21.3	65.0
Current assets	21.7	29.2	36.2	33.3	61.5
Liquid funds (incl current investments)	13.7	10.5	13.9	67.6	87.2
Total assets	40.7	49.1	59.2	122.2	213.7
Equity and liabilities					
Equity	21.1	22.7	24.5	63.8	113.5
Non interest-bearing liabilities	19.6	26.4	34.7	58.4	100.2
Total equity and liabilities	40.7	49.1	59.2	122.2	213.7

Quarterly review

	1/98	2/98	3/98	4/98	1/99	2/99	3/99	4/99
Net sales, SEK m	44.6	46.0	42.2	60.6	68.9	71.4	70.4	100.3
Earnings before tax, SEK m	4.6	6.2	4.6	11.8	14.2	11.3	10.1	13.6
Profit margin, %	10.3	13.5	10.9	19.5	20.6	15.8	14.3	13.6

Sales rose during the fourth quarter as a result of an increase in the number of employees during August. Furthermore, Consultus was acquired on 1 September and Bellatrix on 1 November.

KEY RATIOS

	1995	1996	1997	1998	1999
Total assets, SEK m	40.7	49.1	59.2	122.2	213.7
Capital employed, SEK m	21.9	22.9	26.0	63.8	113.5
Equity, SEK m	21.1	22.7	24.5	63.8	113.5
Return on assets, %	31.5	7.1	9.6	34.6	30.5
Return on capital employed, %	59.3	14.2	21.3	57.9	53.1
Return on equity, %	43.5	6.9	11.5	38.5	36.7
Gross margin, %	13.9	4.8	4.6	16.1	16.8
Operating margin, %	11.6	1.9	2.6	13.3	14.1
Profit margin, %	12.6	2.6	3.3	14.1	15.8
Liquidity, times	2.1	1.7	1.6	1.9	1.6
Debt/Equity ratio, %	51.8	46.2	41.4	52.2	53.1
Portion of risk-bearing capital, %	58.2	51.3	47.6	55.4	56.8
Asset turnover rate, times	2.5	2.6	2.9	2.1	1.9
Self-financed development of ITM, SEK m	-	2.6	5.6	-	-
Average no. of employees	84	152	161	190	277
Net sales per employee, SEK m	1.0	0.8	1.0	1.0	1.1
Added value per employee, SEK m	0.53	0.40	0.47	0.69	0.8
Share of consultant sales and licenses, %	54.7	69.0	71.1	83.5	90.0
Salaries and remuneration, excl employer's social security contributions, SEK m	23.2	39.0	47.5	70.8	115.0
Level of invoicing, %					60
Hourly rates, average, SEK					900
Sensitivity:					
Level of invoicing, +/- 5 %-units, SEK m					22
Hourly rates, +/- SEK 50, SEK m					15

PER SHARE DATA

	1995	1996	1997	1998	1999
No. of shares at end of period	4,810,000	4,933,500	4,933,500	5,333,500	5,566,800
Equity per share, SEK	4.39	4.60	4.97	11.97	20.38
Earnings per share, SEK	1.60	0.30	0.55	3.64	6.12
Dividend per share, SEK	0.15	0.20	0.20	1.00	1.50
Price quoted at year-end, SEK m				92.50	246.00

Adjustment has been made for stock splits and bonus issues. The dividend for 1999 reflects the recommendation of the board of directors.

Definitions:**Net assets**

Balance sheet total

Capital employed

Net assets less non interest-bearing liabilities

Return on net assets

Net operating income plus financial income as a percentage of average net assets

Return on capital employed

Net operating income plus financial income as a percentage of capital employed

Return on equity

Net income according to the income statement as a percentage of equity

Gross margin

Operating income before depreciation as a percentage of sales for the year

Operating margin

Operating income after depreciation as a percentage of sales for the year

Profit margin

Income before tax as a percentage of sales for the year

Liquidity

Current assets divided by current liabilities

Debt/Equity ratio

Equity as a percentage of net assets

Share of risk-bearing capital

The sum of equity, deferred tax liability and minority participations divided by net assets

Asset turnover rate

Sales for the year divided by average net assets

Added value

Net operating income plus salary and incidental salary expenses

Earnings per share

Net income for the year divided by the average number of shares (including shares that will be issued as additional purchase money)

Level of invoicing

Charged hours divided by total working hours, i.e., total number of weekdays during the year multiplied by 8 hours/day (approx. 2,000 hours). Consequently, vacation has not been taken into consideration.

Softronic AB [publ]
Corporate Registration
Number 556249-0192

Management Report

Business activities

Softronic offers customised IT solutions to companies, services related to management and strategic advice and comprehensive project undertakings with subsequent operational and administrative responsibility. The group's activities are conducted mainly in Sweden. An international launch of the unit trust and insurance product ITM Insurance is in progress.

Group structure

18 companies are a part of the group. Some of the companies are dormant. All companies except one are wholly owned by the parent company. One company is active in Estonia, one in England, one in the United States and one in Denmark. The partially owned company is active in France. Other companies within the group are active in Sweden.

Net sales and income

The company has continued its history of robust growth with strong earnings improvement as a result.

Net sales for the group amounted to SEK 311.0 million (193.4) and net income for the year was SEK 34.0 million (18.9). Income from consulting services and licences amount to 90 percent of sales.

Net sales for the parent company were SEK 264.9 million (165.7) and net income for the year was SEK 22.4 million (14.9).

Allocated funds from SPP, not taken up as revenue, amount to SEK 3.9 million.

Financial position and investments

The group's financial position is strong. Liquid funds and short-term placements amount to SEK 87.2 million (67.6). There are no interest-bearing loans. The debt/equity ratio is 53 percent (52).

Investments in goodwill amounted to SEK 39.3 million (12.2) and in equipment to SEK 11.4 million (5.4). Two directed placements were carried out during the year, for a total of 233,300 class B shares. The annual general meeting voted to issue a debenture loan with separable warrants to the personnel, who on market terms acquired warrants with rights to subscribe 280,000 class B shares in June 2002.

Significant events

The company's stock was listed on the O List of the Stockholm Stock Exchange in December 1998. The share demonstrated a positive trend in 1999, increasing 166 percent in value. Two acquisitions were carried out (Consultus 1 September, Bellatrix 1 November), and operations were begun in Denmark and England.

Operations in Stockholm were moved in late 1999 to new premises in Södermalm.

Y2K

All administrative systems and products were Y2K compliant. The turn of the millennium was uneventful.

The work of the board of directors

The board is made up of seven directors appointed by the shareholders' meeting, one of whom was added to the board in 1999, and two directors elected by the personnel. Among the former, the managing director and deputy managing director are employed by the company. In addition to these individuals, nine in number during 1999, two deputy directors, the chief financial officer and the chief operating officer participate in board meetings. Eight board meetings were held during 1999.

During the year, the board has dealt with, for example, strategic issues concerning organisation, acquisitions and marketing.

Research and development

The company has developed a software product for the unit trust and insurance industry, ITM Insurance, as well as a publishing tool for production and operation of websites, Content Server.

Outlook

Softronic will be investing in strong growth throughout 2000. This is absolutely necessary to become a winner in the Internet competition. This will entail lower margins during the first quarters of 2000, but will result in high growth with maintained direction and control in the present expansive market. Net income for 2000 may be lower than in 1999.

Proposed bonus issue and split

The board of directors shall propose to the annual general meeting that share capital be increased by SEK 33.4 million to SEK 44.5 million by raising par value from SEK 2.00 to SEK 8.00. The bonus issue shall be carried out through appropriation from the share premium reserve. Furthermore, the board shall recommend that the par value of the share, SEK 8.00 following the bonus issue, be reduced to SEK 2.00 through a 4:1 split.

Recommended distribution of income

Consolidated non-restricted equity, including net income for the year, amounts to SEK 41,917 thousand. No transfers to restricted reserves are necessary.

Funds at the disposal of the annual general meeting (SEK):

Retained income	12,073,290
Income for the year	22,393,242
	<u>34,466,532</u>

The board of directors and managing director recommend that profits be allocated as follows:

Dividend, SEK 1.50 per share	8,350,200
Retained income	26,116,332
	<u>34,466,532</u>

Income statement

(SEK k)	Note	GROUP		PARENT COMPANY	
		1999	1998	1999	1998
Operating income					
Net sales	1	310,954	193,414	264,872	165,701
Operating expenses					
Goods for resale		-28,326	-26,033	-28,042	-23,394
Other external expenses		-50,401	-29,370	-50,373	-35,113
Personnel expenses	2	-179,972	-106,932	-142,750	-85,722
Depreciation	3, 4	-8,357	-5,416	-4,735	-2,971
Net operating income	1	43,898	25,663	38,972	18,501
Net interest income and expense					
Dividends from subsidiaries				5,719	3,000
Write-downs on shares in subsidiaries				-7,772	
Net income from securities transactions		3,608	662	3,639	416
Interest income and similar profit items		1,753	993	1,612	786
Interest expense		-96	-95	-14	-25
Net income after financial items		49,163	27,223	42,156	22,678
Appropriations	5			-9,406	-2,894
Earnings before tax		49,163	27,223	32,750	19,784
Tax on year's income, paid		-12,508	-7,073	-10,357	-4,926
Tax on year's income, deferred		-2,669	-1,263		
Minority share of the year's income		-7	-36		
Income for the year		33,979	18,851	22,393	14,858



Balance sheet

ASSETS (SEK k)		GROUP		PARENT COMPANY	
	Note	1999	1998	1999	1998
FIXED ASSETS					
Intangible assets					
Goodwill	4	48,206	11,311		
Tangible assets					
Equipment	3	16,699	9,970	12,971	7,889
Financial assets					
Shares in subsidiaries	6			58,807	20,214
Other securities		57			
Total fixed assets		64,962	21,281	71,778	28,103
CURRENT ASSETS					
Inventory					
Goods for resale		365	337	133	337
Current receivables					
Accounts receivable		34,756	17,235	20,826	11,811
Intra-group receivables				7,900	3,049
Other receivables		689	415	33	158
Prepaid expenses and accrued income	7	25,709	15,330	20,047	13,091
		61,154	32,980	48,806	28,109
Short-term placements	8	17,509	3,122	17,509	2,918
Cash and cash equivalents		69,672	64,521	47,731	52,955
		87,181	67,643	65,240	55,873
Total current assets		148,700	100,960	114,179	84,319
Total assets		213,662	122,241	185,957	112,422
EQUITY AND LIABILITIES					
Equity					
	11				
Restricted equity					
Share capital		11,134	10,667	11,134	10,667
Share premium reserve		41,373	20,645	40,595	20,645
Restricted reserves		19,048	11,193	904	904
Non-restricted equity					
Non-restricted reserves		7,938	2,478	12,073	2,751
Income for the year		33,979	18,851	22,393	14,858
Total equity		113,472	63,834	87,099	49,825
Minority interest		26	32		
Untaxed reserves	5			18,300	8,844
Provisions					
Deferred tax liability		7,872	3,846		
Current, non interest-bearing liabilities					
Accounts payable		16,218	7,423	12,174	5,662
Liabilities to group companies				6,326	8,410
Tax liability		9,288	3,135	8,137	1,156
Other liability	10	27,661	21,884	21,523	19,126
Accrued expenses and deferred income	9	39,125	22,087	32,398	19,399
Total current, non interest-bearing liabilities		92,292	54,529	80,558	53,753
Total equity and liabilities		213,662	122,241	185,957	112,422
PLEDGED ASSETS AND CONTINGENT LIABILITIES					
Pledged assets					
Bank funds (for lease agreement)		-	450	-	450
Total pledged assets		-	450	-	450
Contingent liabilities		-	-	-	-

Cash flow statements

CASH FLOW STATEMENTS (SEK k)	GROUP		PARENT COMPANY	
	1999	1998	1999	1998
Current operations				
Net income after financial items	49,163	27,223	42,156	22,678
<i>Adjustment for items not included in cash flow</i>				
Depreciation/write-down	8,357	5,416	12,507	2,971
	57,520	32,639	54,663	25,649
Income tax paid	-12,508	-7,073	-10,357	-4,926
<i>Cash flow from current operations before changes in working capital</i>	45,012	25,566	44,306	20,723
Changes in working capital				
Change in inventory	-28	917	204	744
Change in current receivables	-9,977	1,930	-20,697	2,293
Change in current investments	-14,387	-1,968	-14,591	-2,060
Change in current liabilities (note 1)	21,649	10,859	25,257	9,872
Cash flow from current operations	42,269	37,304	34,479	31,572
Investing activities				
Acquisition of subsidiaries (note 2)	-25,363	-640	-28,825	-648
Net acquisitions of tangible assets	-11,412	-5,393	-9,817	-4,164
Other	-10	-	-	-
Cash flow from investing activities	-36,785	-6,033	-38,642	-4,812
Financing activities				
New share issue (note 1)		21,445		21,445
Issue of warrants	5,203		4,425	
Dividends paid	-5,536	-987	-5,536	-987
Group contribution			50	
Other		4		1
Cash flow from financing activities	-333	20,462	-1,061	20,459
Increase/decrease in liquid funds (note 3)	5,151	51,733	-5,224	47,219
Liquid funds at beginning of year	64,521	12,788	52,955	5,736
Liquid funds at year-end	69,672	64,521	47,731	52,955
	5,151	51,733	-5,224	47,219

Note 1) Additional purchase money paid through share issues has not been recognised, since such has no affect on liquidity.

Note 2) Acquisition of subsidiaries, SEK k
Assets and liabilities in subsidiaries aquired during the year, according to aquisition analysis.

Goodwill	39,298
Tangible fixed assets	1,271
Current receivables	18,197
Liquid funds	3,462
Current liabilities	-14,858
Deferred tax	-1,045
Purchase money	46,325

Purchase money paid in cash	28,825
Liquid funds in aquired companies	-3,462
	25,363

The purchase amount includes estimated additional purchase money.

Note 3) Liquid funds refer to bank deposits.

Notes

Including accounting principles and notes to the accounts

Accounting and valuation principles

The accounting and valuation principles applied by Softronic are in compliance with the recommendations and instructions issued by the Swedish Financial Accounting Standards Council.

Consolidated accounts

The consolidated accounts include, in addition to the parent company Softronic AB (publ), the companies for which the parent company controls more than 50 percent of votes.

The consolidated accounts were prepared according to the acquisition method. Where the consolidated acquisition value for the shares exceeds the market value of the company's net assets entered in the acquisition statement, the difference has been entered as goodwill.

Companies acquired during the year were consolidated as of the date of acquisition. Companies sold are not included in the income statement for the year the sale took place.

Additional purchase money agreed upon when acquiring subsidiaries will be entered into the accounts if the amount can be computed with reasonable accuracy.

Goodwill

Goodwill is depreciated over periods of five to twenty years. Depreciation periods longer than five years are applied in those cases where the acquisition has provided Softronic with special competence, long-term and established customer relationships and valuable market knowledge. In cases where acquisitions are of particular strategic importance in new markets or within new services, goodwill may be depreciated over periods of up to twenty years if the acquired company demonstrates stable operations and good growth.

Conversion of foreign subsidiary accounts

The balance sheets of foreign subsidiaries have been converted using the current rate method, whereupon all assets and liabilities were converted at the closing day rate. Income statements have been converted at the average exchange rate for the year. Conversion differences are entered directly into equity.

Income accounting

Consulting services are performed mainly on an open account, whereupon income is reported as the work is performed. Work performed but not billed is reported as accrued income. Work performed at a fixed price, which is a minor part of the group's net sales, is reported in an equivalent manner after provisions to reserves against loss risks. Income from sales of hardware is reported upon delivery. Income from ITM licences is accrued, in those cases where such is part of a larger consulting project, over the entire term of the project.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency have been translated at the closing day rate.

Research and development expenses

Expenditures for research and development and rights are expensed as they are incurred.

Depreciation principles for tangible assets

Depreciation is carried out according to plan, based upon an estimated economic life of five years.

Leased assets

There are no significant lease agreements other than leases for office premises at normal terms (in total SEK 12 m per year, the longest lease valid through 2004).

Inventory

Inventory has been valued at the lower of cost or market value.

Accounts receivable

Accounts receivable are reported after deductions for reserves for anticipated customer losses.

Taxes

Provisions are made for paid and deferred tax. Paid tax is based upon each company's tax return. Deferred tax in the consolidated accounts takes into account the fiscal effect of the difference between book value and fiscal value.

Note 1. Net sales and net operating income

Income (SEK m)	GROUP		PARENT COMPANY	
	1999	1998	1999	1998
Consulting services				
project	217.2	141.0	225.1	133.6
resource	34.9	16.6		
management	18.8			
ITM Insurance	8.6	3.8	8.6	3.6
Goods	31.5	32.0	31.2	28.5
	311.0	193.4	264.9	165.7

Net operating income (SEK m)	GROUP		PARENT COMPANY	
	1999	1998	1999	1998
Consulting services				
project	36.3	19.7	37.5	18.0
resource	5.4	4.9		
management	0.9			
ITM Insurance	-0.2	0	0	0
Goods	1.5	1.0	1.5	0.5
	43.9	25.6	39.0	18.5

The group's primary geographical market is Sweden. The parent company's sales to group companies amounted to SEK 11.1 m (8.0 m). The parent company's purchases from group companies amounted to SEK 14.3 m (12.2).

Note 2 Number of employees and personnel expenses including audit fee

	AVERAGE NO.		(of which, men)	
	1999	1998	1999	1998
Parent company				
Sweden	216	142	182	119
Subsidiaries				
Sweden	46	37	39	34
Estonia	11	10	10	9
United States	1	1	1	1
England	2	-	2	-
Denmark	-	-	-	-
Total for the group	276	190	234	163

Personnel expenses

	GROUP		PARENT COMPANY	
	1999	1998	1999	1998
Salaries to				
board and				
managing director	6,953	7,412	4,461	4,953
(of which bonus)	(3,144)	(3,155)	(2,345)	(3,025)
Salaries to				
other employees	108,069	63,375	87,440	51,859
Employer's social				
security contributions	40,556	24,673	32,904	19,926
Pension expenses				
for board and				
managing director	957	687	655	506
Pension expenses				
for other employees	8,483	4,323	7,105	3,795
	165,018	100,470	132,565	81,039

Remuneration paid to the board of directors amounted to SEK 230 thousand (of which SEK 50 thousand to the chairman) divided among 5 directors.

In addition, the chairman of the board Rolf Jinglöv's consulting firm has billed Softronic SEK 240 thousand in consulting fees.

Salary was paid to the managing director Anders Eriksson in the amount of SEK 2,556 thousand (including a bonus of SEK 1,492 thousand) and to the deputy managing director Stig Martin in the amount of SEK 1,705 thousand (including a bonus of SEK 853 thousand). Pension benefits for the managing director and deputy managing director are paid according to the ITP plan.

No executive officers, including the managing director, are entitled to more than 24 months' salary in severance pay.

Fees to accounting firms, carried as an expense

	GROUP		PARENT COMPANY	
	Audit	Other	Audit	Other
Ernst & Young	80	68	80	68
Finnhammars	322		254	

Note 3. Equipment

	GROUP		PARENT COMPANY	
	1999	1998	1999	1998
Opening balance, acquisition value	25,722	16,326	16,958	13,272
Purchases	11,691	5,539	10,266	4,309
Sales	-1,166	-623	-1,111	-623
Accumulated acquisition value	36,247	21,242	26,113	16,958
Opening balance, depreciation	-14,487	-8,242	-9,069	-6,576
Sales	717	478	662	478
Depreciation for the year	-5,778	-3,508	-4,735	-2,971
Accumulated depreciation	-19,548	-11,272	-13,142	-9,069
Closing balance, planned residual value	16,699	9,970	12,971	7,889

Note 4. Goodwill

	GROUP	
	1999	1998
Opening balance, acquisition value	13,777	1,589
Acquisitions	39,298	12,188
Accumulated acquisition value	53,075	13,777
Opening balance, depreciation	-2,466	-726
Depreciation for the year	-2,403	-1,740
Accumulated depreciation	-4,869	-2,466
Closing balance, planned residual value	48,206	11,311

SEK 36.0 m of acquired goodwill refer to the acquisition of Consul-tus, which is depreciated over a period of 20 years.

Note 5. Appropriations/untaxed reserves

	PARENT COMPANY	
	1999	1998
Appropriations		
Change in tax allocation reserve	-9,185	-2,954
Change in tax equalisation reserve	143	145
Group contribution paid	-1,030	
Group contribution received	1,081	
Difference between reported depreciation and depreciation according to plan	-415	-85
	-9,406	-2,894

Note 5 cont.

	PARENT COMPANY	
	1999	1998
Untaxed reserves		
Tax allocation reserve, tax -95	1,297	1,297
Tax allocation reserve, tax -96	2,359	2,359
Tax allocation reserve, tax -97	990	990
Tax allocation reserve, tax -98	110	110
Tax allocation reserve, tax -99	2,954	2,954
Tax allocation reserve, tax -00	9,185	
Tax equalisation reserve	143	287
Accumulated excess depreciation	1,262	847
	18,300	8,844

Note 6. See facing page

Note 7. Prepaid expenses and accrued income

	GROUP		PARENT COMPANY	
	1999	1998	1999	1998
Work performed but not billed	18,616	13,223	14,275	11,483
Prepaid rent	2,999	992	2,999	780
Other	4,094	1,115	2,773	828
	25,709	15,330	20,047	13,091

Note 8. Short-term placements

Listed shares, shares in unit trusts

	GROUP		PARENT COMPANY	
	1999	1998	1999	1998
Book value	17,509	3,122	17,509	2,918
Market value	20,829	3,721	20,829	3,516

Short-term placements have been valued at the lower of acquisition value and actual value.

Note 9. Accrued expenses and deferred income

	GROUP		PARENT COMPANY	
	1999	1998	1999	1998
Accrued salary	14,445	7,385	12,571	6,978
Holiday pay debt	3,440	4,737	1,362	3,924
Employer's social insurance contributions	11,039	7,186	9,087	6,191
Other	10,201	2,779	9,378	2,306
	39,125	22,087	32,398	19,399

Note 10. Other liabilities

Estimated additional purchase money of SEK 14.5 m is included in the amount. Estimated additional purchase money for Consul-tus amounts to SEK 6.3 m, in addition to a new share issue of 26,400 class B shares. Estimated additional purchase money for Bellatrix amounts to SEK 1.5 m, to be paid through a new share issue of class B shares at average price in December 2001.

Note 6. Shares and participations in subsidiaries

Company	Reg. No.	Domicile	No. of shares	Par value	Acquisition value	Book value
XACT Systemintegration AB	556073-3338	Stockholm	5,000	500	340	1,089
Ljus & Kraft Data AB	556310-7407	Stockholm	1,000	100	200	100
Softronic ITM AB	556500-5948	Stockholm	1,000	100	106	106
Affärssystem i Onsala AB	556525-6731	Kungsbacka	1,000	100	100	100
Softronic Konsult AB (ObX)	556530-9662	Stockholm	1,000	100	7,025	7,025
Softronic Advecta AB	556339-8659	Stockholm	5,000	500	6,550	1,594
Softronic Promestra AB	556217-0067	Malmö	1,000	100	1,167	1,167
Consultus Management AB	556257-7667	Stockholm	1,000	100	40,000	40,000
Softronic Bellatrix AB	556478-8361	Stockholm	1,000	100	5,731	5,731
Softronic Danmark A/S	257.646	Danmark		582	594	594
Softronic Baltic AS	24022880	Estland	1,000	55	1,293	1,293
American Softronic Inc.		USA	1,000	8	8	8
Softronic UK Ltd		England		0	0	0
					63,114	58,807

1999 Stock in Softronic Advecta has been written down by -4,956

1999 Stock in XACT has been written down by -2,816 All companies are wholly-owned.
(Written up by 3,565 in 1996)

Note 11. Changes in equity

	Share capital	Share premium reserve	Restricted reserves, Statutory reserve	Non-restricted reserves, Carried forward net results	TOTAL
GROUP					
Amount at beginning of year	10,667	20,645	11,193	21,329	63,834
New issue I	406	12,586			12,992
New issue II	61	2,939			3,000
Warrants		5,203			5,203
ALLOCATION OF PROFITS IN ACCORDANCE WITH THE DECISION OF THE ANNUAL GENERAL MEETING					
Transfer to restricted reserves			191	-191	
Dividend				-5,536	-5,536
Transfer between non-restricted and restricted equity			7,664	-7,664	
Income for the year				33,979	33,979
Amount at year-end	11,134	41,373	19,048	41,917	113,472
PARENT COMPANY					
Amount at beginning of year	10,667	20,645	904	17,609	49,825
New issue I	406	12,586			12,992
New issue II	61	2,939			3,000
Warrants		4,425			4,425
ALLOCATION OF PROFITS IN ACCORDANCE WITH DECISION OF THE ANNUAL GENERAL MEETING					
Dividend				-5,536	-5,536
Income for the year				22,393	22,393
Amount at year-end	11,134	40,595	904	34,466	87,099

Stockholm, 14 March 2000

Rolf Jinglöv
Chairman of the board

Patrik Engellau
Anders Pettersson

Peter Svanlindh
Stig Martín
Folke Åberg

Pieter Tham
Cecilia Nilsson

Anders Eriksson
Managing Director

Auditors' Report

**To the general meeting of shareholders in Softronic AB (publ)
Corporate registration number 556249-0192**

We have audited the annual report, the consolidated financial statements, as well as the accounts and the administration by the board of directors and managing director of Softronic AB (publ) for the financial year 1999. The accounts and the administration of the company are the responsibility of the board of directors and the managing director. Our responsibility is to state an opinion on the financial statements and administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material error. An audit includes the examination of a selection of records supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director, as well as evaluating the overall presentation of information in the financial statements. We examined significant decisions, actions taken and conditions within the company in order to be able to determine any liability towards the company on the part of any director or the managing director and to determine whether they have in some other way acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the company's Articles of Association. We believe that our audit provides a reasonable basis for the opinion stated below.

The annual report and consolidated accounts were prepared in accordance with the Swedish Annual Accounts Act and therewith provide a true and fair picture of the company and the group's results and financial position in accordance with generally accepted accounting practices in Sweden.

We recommend that the annual general meeting adopt the income statement and balance sheet for the parent company and the group, that profits in the parent company be distributed in accordance with the recommendation given in the administration report, and that the directors and managing director be discharged from liability for the financial year.

Stockholm, 15 March 2000

Hans Bredberg
Authorised Public Accountant

Olof Cederberg
Authorised Public Accountant





Patrik Engellau



Anders Eriksson



Claes Fägersten



Björn Janberger



Rolf Jinglöv



Joachim Lundberg



Stig Martin



Cecilia Nilsson



Tommy Persson



Anders Pettersson



Mats Runsten

Anders Pettersson, born 1950. Director since 1997. Deputy managing director of Eneqvistbolagen AB. Shareholdings: 2,500 class B shares

Peter Svanlindh, born 1955. Director (employee representative) since 1998, employee since 1994. Shareholdings: 400 warrants

Pieter Tham, born 1949. Director since 1999. Partner in H.O.T. Vision. Shareholdings: 0

Folke Åberg, born 1927. Director since 1991. Shareholdings: 2,500 class B shares

Deputy directors

Björn Janberger, born 1951. Deputy director since 1996, employee since 1985. Shareholdings: 147,250 class A shares, 406,500 class B shares, 400 warrants

Mats Runsten, born 1958. Deputy director since 1998. Managing Director of Astral AB. Shareholdings: 5,000 class B shares

Deputy directors, employee representatives:

Tomas Högström, born 1963

Ragnar Ivarsson, born 1955

Executive officers

Anders Eriksson, Managing Director (see Board of Directors)

Claes Fägersten, born 1959. Chief Financial Officer, employee since 1998. Shareholdings: 26,000 Class B shares, 4,000 warrants

Joachim Lundberg, born 1965. Chief Operating Officer, employee since 1995. Shareholdings: 20,450 class B shares, 4,000 warrants

Stig Martin, Deputy Managing Director (see Board of Directors)

Tommy Persson, born 1943. Executive Vice President, employee since 1997. Shareholdings: 37,226 class B shares, 4,000 warrants

Independent auditors

Hans Bredberg, born 1954. Authorised Public Accountant, Finnhammars Revisionsbyrå. Independent auditor for Softronic since 1998

Olof Cederberg, born 1949. Authorised Public Accountant, Ernst & Young. Independent auditor for Softronic since 1998

Deputy auditors:

Mikael Larsson, born 1963

Anders Wiger, born 1951

Shareholdings refer to personal holdings and shares held by closely related persons as listed in the share register kept by the Swedish Securities Register Centre as of 31 December 1999.



Peter Svanlindh



Pieter Tham

The Board of Directors

Patrik Engellau, born 1945. Director since 1997. Managing Director of AktieTorget AB. Shareholdings: 2,500 class B shares

Anders Eriksson, born 1956. Director and employee since 1984. Shareholdings: 468,850 class A shares, 962,845 class B shares

Rolf Jinglöv, born 1939. Chairman since 1997. Shareholdings: 5,200 class B shares

Stig Martin, born 1945. Director since 1984, employee since 1990. Shareholdings: 222,900 class A shares, 417,500 class B shares

Cecilia Nilsson, born 1965. Director (employee representative) since 1994, employee since 1993. Shareholdings: 400 class B shares, 400 warrants



Folke Åberg

SWEDEN

STOCKHOLM

Head office

Softronic AB (publ)

Softronic Konsult AB

Softronic ITM AB

Softronic Bellatrix AB

Ringvägen 100
118 60 Stockholm
tel + 46 8 51 90 90 00
fax + 46 8 51 90 91 00
info@softronic.se
www.softronic.se

Consultus AB

Box 6589
113 83 Stockholm
Visiting adress:
Döbelnsgatan 64
tel + 46 8 441 88 00
fax + 46 8 612 97 99
info@consultus.se
www.consultus.se

GÖTEBORG

Softronic AB (publ)

Stampgatan 15
416 64 Göteborg
tel + 46 31 15 89 30
fax + 46 31 15 89 31

MALMÖ

Softronic AB (publ)

Höjdrodergatan 25
212 39 Malmö
tel + 46 40 29 09 90
fax + 46 40 29 41 70

Softronic Promestra AB

Höjdrodergatan 25
212 39 Malmö
tel + 46 40 29 09 90
fax + 46 40 29 41 70

DENMARK

Softronic Danmark A/S

Holger Danskes Vej 91
2000 Fredriksberg
tel + 45 38 11 42 00
fax + 45 38 11 42 29

ESTONIA

Softronic Baltic AS

Aardla 15
501 12 Tartu
tel +372 7 300 600
fax +372 7 366 644
info@softronic.ee
www.softronic.ee

Softronic Baltic AS

Kadaka tee 36
109 12 Tallinn
tel + 372 6 997 161
fax + 372 6 997 162

GREAT BRITAIN

Softronic (UK) Ltd

Shaw House, Pegler Way
Crawley
West Sussex RH11 1AF
tel + 44 1293 763 363
fax + 44 1293 763 158
mark.hartnell@softronic.com
www.softronic.com

USA

American Softronic Inc

504 Grant St
Santa Cruz,
CA 95060
tel + 1 831 466 0860
fax + 1 831 466 08 61
jduprez@softronic.com
www.softronic.com

FRANCE

Consultus SARL

6, rue Léon Piloet
F-78860 Saint-Nom-la-Breteche
tel + 33 1 34 62 51 14
fax + 33 1 30 56 68 98



Usability design

Customised usability design is aimed at understanding and facilitating the user's situation and making it as functional as possible. The result is technology that is sophisticated, usable and aesthetically pleasing.

Change Management

Change Management is a planned process for the implementation of comprehensive changes in large organisations.

The digital company

In the digital company, all systems are connected using web technology, and the information is accessible to all users. The digital company creates added value and new opportunities in all industries and operations.

Multi-layer solution

Building multi-layer solutions using Client/Server technology allows large and unwieldy amounts of information to be handled in a network that does not require powerful clients (workstations). In multi-layer Client/Server solutions, the majority of data storage, logic and processing is handled on the network servers. Multi-layer solutions are highly effective for creation of Internet solutions.

IT-driven change

The Internet is a technical phenomenon that is changing the flow of information, which in turn is creating new opportunities and driving change forward.

ITM

Insurance Technology Management. A unique system with great potential, developed by Softronic for the insurance industry. Entirely digital insurance companies can be built with ITM.

ITP

IT Partner Area. Softronic consists of a number of ITPs that function like subsidiaries, with separate boards of directors and total responsibility for operations.

Component construction

The functions housed in an IT solution are packaged in the form of various components that are joined together into a whole. When new needs arise, the component or components affected are changed or further developed. Component construction allows major changes to systems with minimal intervention.

Rookie

Every semester, Softronic employs recent graduates with degrees related to IT. They go through a comprehensive introduction programme, after which they can work relatively independently in customer projects.

Softprocess

Softprocess is a web-based system that contains descriptions of Softronic's working method and the elements of the operational process, such as various phases, approaches, nomenclature, etc. Softprocess is used internally at Softronic as a project support process to assure quality and create a common working method.

Time-to-market

The time that passes from when a need arises until it has been met.

WAP

Wireless Application Protocol. WAP makes it possible to access Internet services via mobile equipment such as cellular telephones and personal digital assistants/palmtop computers.

XML

Extensible Markup Language – a new web standard. With XML, information can be structured in a way that makes it easier to find, transmit and use, regardless of system or software and with no need for conversion.

SOFTRONIC

www.softronic.se