

# Q4



## PRECISE BIOMETRICS YEAR-END REPORT 2019

## Focus and closeness to customers yields result

YEAR-END REPORT FOR THE PERIOD JANUARY TO DECEMBER 2019

### **FOURTH QUARTER**

- Net sales totalled SEK 38.8 (13.9) million.
- Net operating profit/loss totalled SEK 12.5 (-14,3) million.
- The profit/loss totalled SEK 13.4 (-15,0) million.
- Earnings per share totalled SEK 0,04 (-0,04).
- Cash flow from operating activities totalled 14.3 (-9.1) million.

### **FULL-YEAR PERIOD, JANUARY - DECEMBER**

- Net sales totaled SEK 91.9 (67.6) million.
- Net operating profit/loss totaled SEK 0.7 (-20.0) million.
- The profit/loss totaled SEK 1.0 (-22.2) million.
- Earnings per share totaled SEK 0.00 (-0.06).
- Cash flow from operating activities totaled SEK -0,5 (-26.1) million.

### **SIGNIFICANT EVENTS DURING THE QUARTER**

- Cooperation agreement with Infinity Optics
- Liveness detection integrated into Precise's identification software for access control systems
- Cooperation agreement with Innovatrics

### **SIGNIFICANT EVENTS SINCE THE END OF THE FULL-YEAR PERIOD**

*No significant events after the end of the period*

## FINANCIAL DATA AND KEY INDICATORS

### KEY INDICATORS

	2019	2018	2019	2018
Amounts in SEK thousand unless otherwise stated	Q4	Q4	Full-year	Full-year
Net sales	38 816	13 948	91 927	67 645
Net sales growth, %	178,3%	-1,6%	35,9%	10,8%
Gross margin, %	91,9%	80,5%	86,4%	85,2%
Operating profit/loss	12 534	-14 261	651	-19 958
Operating margin, %	32,3%	-102,2%	0,7%	-29,5%
Cash flow from the operating activities	14 257	-9 067	-477	-26 055
Cash and cash equivalents	73 676	79 543	73 676	79 543

Definitions, see financial glossary.

### PRESENTATION OF THE INTERIM REPORT

In connection with today's interim report, we include an invitation to a telephone conference/webcast today at 10:00 AM.

**The conference call starts at 10:00 AM (CET).**

Link to all public information such as link to audiocast and participant number for the telephone conference.

<https://financialhearings.com/event/11726>

To take part, click on the link above to listen to and follow the presentation online, or call +443333009267 to follow it over the phone.

You will be asked to state your name when you connect to the conference call and there will be an opportunity to ask questions in Swedish. The conference call will be held in English.

Participating on behalf of Precise:

**Stefan K Persson, CEO**

**Ulrik Nilsson, CFO**

## CEO COMMENTS

I am delighted to be able to present a strong quarter for Precise. Our new strategy of working in a more focused way and getting close to the end customer – combined with positive market development – has contributed to a high rate of growth for the company during 2019. We are also seeing the result of the cost savings carried out during the year, which have had a positive impact on profits. Despite increased investments within the *Digital Identity* business area, there was an operating profit for the full year 2019, totalling SEK 0.7 million.

Net sales in the fourth quarter totalled SEK 38.8 million, an increase of 178 per cent compared with the corresponding period in the previous year, resulting in a positive cash flow for the period of SEK 12.8 million. The significant increase is primarily attributable to increased revenue from Egis Technology, who during the quarter carried out additional integrations of our identification software for their optical sensors, which were in turn implemented in various mobile devices from leading OEM manufacturers.

We expect further integrations of our software in partnership with Egis during 2020, if not at the same rate of increase as seen during the last quarter. We also expect the uncertain situation in Asia – resulting from the Corona virus and the consequences this is having on our partners in Asia – to have an impact on order input during the first half of 2020. It is, however, pleasing to note that optical sensors are gaining more and more ground on the mobile side, where we feel very secure in the delivery of our identification software. We have good collaboration with a large number of customers who focus on optical and ultrasonic sensors, and we will continue to focus on these areas.

Through our investments in the *Digital Identity* business area, during the year we have taken important steps towards broadening our offering to encompass more application areas. Among other things, we see great potential for biometric identification in the access application area. During the quarter we concluded a partnership agreement with Innovatrics to integrate their facial recognition technology with our identification software, making it possible to offer a product that guarantees users' identity in a safe, convenient way. As communicated previously, we have received the first commercial orders in this application area – where the value per order totals SEK 50-100 thousand per annum, depending on the scale – and we expect the first installations to take place during the first half of 2020. At the same time, we are now increasing the pace of commercialization work, with one step involving displaying more of the product at various trade fairs in the Nordic region.

During the quarter we also signed a partnership agreement with Infinity Optics with a view to working jointly to combine biometrics with cryptography and so-called hash technology. This work is based on developing a technology that makes it possible to encrypt a user's fingerprint in the same way as a password is encrypted – in contrast to the currently accepted method of a reference image of the user's fingerprint being saved locally, thus representing a security risk. This collaboration is an example of our innovative ability, where Precise holds a leading position.

In conclusion, I take a positive view of developments this year and of what we have achieved during 2019. The strong financial result for the fourth quarter is evidence that our strategy is having an effect, and we are motivated to maintain our momentum. We will work even harder during 2020 to increase the gap to our competitors and secure our position as the preferred supplier of identification software for secure and convenient identification, wherever you are, whoever you are and whatever you are doing.

*Stefan K Persson, CEO*

## MARKET AND SALES

Precise develops and sells biometrics solutions for convenient and secure verification of people's digital identity in mobile phones, smart cards and digital platforms. The company offers the following products in each area:

### *Digital identity*

Precise YOUNiQ® - Secures digital identity in a simple, secure way

### *Smart cards*

Precise BioMatch® Card - Verifies fingerprints in smart cards

### *Mobile*

Precise BioMatch® Mobile - Verifies fingerprints in mobile phones and tablets

In addition to the areas listed above, Precise is working on selected projects within various applications.

## MARKET DEVELOPMENT

### *Digital Identity*

We increasingly use digital services that require identification of the user. Since the registration process is often complicated and users choose passwords that are too simple, there is growing demand for easier and safer ways of verifying our digital identity. Our increasingly more interconnected world also means that we not only use our digital identity in multiple channels, but also on a number of different devices, which amplifies the need for secure and effective identification.

By combining different biometric technologies to verify our digital identity, we can create the optimum balance between convenience and security. This combined technology can be applied in several different application areas, such as access to facilities, document verification and digital services, within such sectors as finance, games, healthcare and transport. According to an analysis from Goode Intelligence, by the year 2024 we can expect over two billion verifications of digital identity and documents, on an annual basis.

### *Smart Card*

Biometrics for identity verification has become an increasingly important tool in the battle against fraud in virtually all payment channels. Payments have become the primary driver of the development of biometrics in the consumer link, and analysts expect biometric cards to be a rapidly growing area in the coming years. Card manufacturers are focusing increasingly on the certification of contactless biometric payment cards, which is a precondition for card issuers to be able to achieve a broad-based market introduction. Sales of contactless biometric payment cards are expected to commence in 2020.

### *Mobile*

Continued demand for user-friendly telephones and tablets with full screens is driving the trend for mobile devices. The next development step is sensors that cover the full screen and can read a fingerprint wherever it is placed on the display. According to an analysis from IHS Market, optical and ultrasonic sensors for phones in the higher price segment will increase. As the average price of these sensors is much higher than for capacitive sensors, they will account for a significant share of the market value for fingerprint sensors. In overall terms, the value of the market for capacitive sensors is falling, as prices are dropping faster than volumes are rising.

#### **NET SALES AND OPERATING PROFIT/LOSS IN THE FOURTH QUARTER**

Net sales in the fourth quarter increased by 178% and totalled 38.8 SEK (13.9) million. Net sales split between royalty revenues SEK 20.0 (2.1) million, license fees SEK 15.7 (8.7) million, support & maintenance SEK 2.1 (2.3) million and Other SEK 1.0 (1.0) million.

The gross margin for the quarter totalled 91.9% (80.5). The total amortization of capitalized development expenses was SEK 2.8 (2.1) million. Amortizations of intangible assets totalled SEK 0.2 (0.2) million.

Operating expenses for the quarter decreased by SEK 2.4 million and totalled SEK 23.1 (25.5) million. The increased costs in R&D was related to increased investments in *Digital Identity* and *Mobile*. The higher turnover has led to increased cost for commission and foreign withholding tax. Lower staff costs are related to the completed reorganization. Charges for the reorganization in Q4 2018 totalled SEK 5.4 million.

The operating profit/loss for the quarter totalled SEK 12.5 (-14.3) million. Improvements of the result is primarily explained by a higher gross profit, SEK 24.4 million, and lower operating expenses of SEK 2.4 million. The operating profit/loss totalled SEK 13.4 (-15.0) million. Total depreciation/write-downs totalled SEK 3.5 (2.4) million. The profit/loss at EBITDA-level totalled SEK 16.0 (-11.8) million. The improvements of the result are primarily attributed to the higher turnover. Earnings per share (average number of shares) for the third quarter totalled SEK 0,04 (-0,04).

#### **NET SALES AND OPERATING PROFIT/LOSS FOR THE FULL-YEAR PERIOD**

Net sales during the full year increased by 35,9% and totaled SEK 91.9 (67.6) million, split by royalty revenue SEK 31.2 (18.0) million, license fees SEK 45,5 (37.0) million, support & maintenance SEK 9.1 (9.5) and other SEK 6.1 (3.1) million.

The gross margin for the full year totaled 86.4% (85.2). The total amortization of capitalized development expenses was SEK 10.2 (7.4) million. Amortization of acquired intangible assets totalled SEK 0.8 (0.7) million.

Operating expenses for the full year increased by SEK 1.2 million and totalled SEK 78.8 (77.6) million. The increased costs in R&D was related to increased investments in *Digital Identity* and *Mobile*. The higher turnover has led to increased cost for commission and foreign withholding tax. Lower staff costs are related to the completed reorganization.

The operating profit/loss for the full year totaled to SEK 0.7 (-22.2) million. Improved result is primarily explained by higher gross profit. Earnings for the period totaled SEK 1.0 (-20.0) million. Total depreciation/write down totaled SEK 13,1 (8,8) million. The operating profit/loss at EBITDA level totaled SEK 13.8 (-11.8) million. Earnings per share (average number of shares) for the period totaled SEK 0.00 (-0.06).

#### **NET FINANCIAL ITEMS AND TAX**

Precise holds no interest-bearing debt besides debt for leasing. Financial net is primarily connected with leasing debt according to IFRS 16. Net financial items for the total operations during the fourth quarter totalled SEK -0.5 (0.1) million and the tax expense totalled SEK 1.3 (-0.9) million.

Net financial items for the total operations for the full year totaled SEK -0.6 (-0.6) million and the tax expense totalled SEK 0,9 (-1.6) million.

### CASH FLOW AND INVESTMENTS

Cash flow from the company's total operating activities in the quarter totaled SEK 14.3 (-9.1) million. During the quarter the Group has invested SEK 0.1 (0.1) million in tangible assets.

Cash flow from the company's total operating activities for the full year totaled SEK -0,5 (-26.1) million. Adjusted for the costs related to the reorganization that was accounted for in the fourth quarter in 2018, the cash flow amounted to SEK 3.5 million. The costs related to the reorganization has reduced the cash flow by SEK 4.0 million. The Group has during the full year invested SEK 0.3 (0.3) million in tangible assets.

### CAPITALIZATION AND AMORTIZATION OF DEVELOPMENT WORK

During the fourth quarter, development expenses of SEK 1.2 (2.5) million were capitalized. Depreciation of capitalized development expenses totaled SEK 2.8 (2.1) million.

During the full year, development expenses of SEK 5.4 (11.0) million were capitalized. Depreciation of capitalized development expenses totalled SEK 10.2 (6.5) million.

### FINANCIAL POSITION AND LIQUIDITY

Cash and cash equivalents at the end of the interim period totaled SEK 73.7 (79.5) million.

Total equity at the end of the interim period totaled SEK 126.5 (125.5) million and equity per share was SEK 0.35 (0.35).



## **THE PARENT COMPANY**

The parent company's net sales for the full year amounted to SEK 90.4 (66.9) million. The operating profit/loss totaled SEK -3.4 (-20.8) million and was affected by amortizations of goodwill totaling SEK 2.5 (2.5) million.

Cash and cash equivalents at the end of the quarter totaled SEK 70.2 million (78.0) and total equity amounted to SEK 118.2 million (121.9).

## **ORGANIZATION AND STAFF**

The organization consists of the head office in Lund, Sweden and offices in Potsdam, USA and Shanghai, China. At the end of the interim period the Group had a workforce of 48 (38) people, including on-site consultants. The number of employees were 22 (27), of which 14 (22) in Sweden. Precise works agile together with several partners, which entail a fast-moving, scalable, organization. The number of employees does not include partners.

## **REPORTING DATES**

Q1 Interim report 2020	May 15, 2020
Q2 Interim report 2020	August 18, 2020
Q3 Interim report 2020	November 13, 2020
Year-end report 2020	February 16, 2021

## **ANNUAL GENERAL MEETING**

The Annual General Meeting will be held on May 15, 2020 at 2:00 PM at Mobilvägen 10, Lund, Sweden. The Annual Report for 2019 will be available on Precise Biometrics Biometrics' website and at the head office at the latest on April 24, 2020. Shareholders who wish to participate in the Annual General Meeting must be registered in the share register kept by Euroclear Sweden AB as of May 11, 2020 and register their participation no later than May 8. Shareholders who have had their shares registered through an agent must, in order to participate in the meeting, register their shares in their own name through the agent before May 8, 2019.

The Board of Directors proposes that no dividend will be paid for the financial year 2019.

## **RISK FACTORS**

The Group's and the parent company's business risks and risk management as well as the management of financial risks are described in detail in the Annual Report for 2018. The risk associated with the sale of the Mobile Smart Card Solutions business area is if expected commission revenues are not received, in which case there may be a write-down requirement. Otherwise there have been no events of significant importance during the year that would affect or change these descriptions of the Group's or the parent company's risks and how they are managed.



## **OWNERSHIP STRUCTURE**

Precise Biometrics AB (publ), corporate ID number 556545-6596, is the parent company in the Precise Biometrics Group. Precise Biometrics AB's shares are listed on the Small Cap list of the Nasdaq OMX Nordic. The number of shareholders at the end of the full-year period was 20 575 (21 690). 57 896 695 shares were traded during the fourth quarter. The closing price on December 30 was SEK 1.69, and during the fourth quarter the share price fluctuated between SEK 1.41 and, SEK 1.94.

## **AUDIT**

This year-end report has not been audited by the company's auditors.

The undersigned certifies that the interim report provides a true and fair view of the parent company's and the Group's operations, financial position and financial results, and describes the significant risks and uncertainty factors faced by the parent company and the companies that belong to the Group.

*Lund, February 14 2020*

Torgny Hellström,

Chairman of the Board

Torbjörn Clementz,	Mats Lindoff,	Synnöve Trygg,	Åsa Schwarz,
Board member	Board member	Board member	Board member

Stefan K Persson

CEO

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*This information is information that Precise Biometrics AB is obliged to disclose pursuant to the EU Market Abuse Regulation. The information was submitted for publication at 8:00 AM on February 14, 2020.*

## CONSOLIDATED INCOME STATEMENT

Amounts in SEK thousand	Note	2019 Q4	2018 Q4	2019 Full Year	2018 Full Year
Net sales	2	38 816	13 948	91 927	67 645
Cost of goods sold		-3 159	-2 721	-12 470	-10 000
<b>Gross profit</b>		<b>35 657</b>	<b>11 227</b>	<b>79 457</b>	<b>57 645</b>
Marketing and sales expenses		-9 276	-6 543	-28 220	-27 664
Administrative expenses		-3 270	-3 707	-14 811	-15 508
R&D expenses		-9 778	-14 780	-35 794	-33 519
Other operating income/expenses		-799	-459	19	-911
		<b>-23 123</b>	<b>-25 489</b>	<b>-78 806</b>	<b>-77 602</b>
<b>Operating profit/loss</b>		<b>12 534</b>	<b>-14 261</b>	<b>651</b>	<b>-19 958</b>
Financial income/expenses		-487	149	-556	-608
<b>Profit/Loss before tax</b>		<b>12 047</b>	<b>-14 112</b>	<b>95</b>	<b>-20 565</b>
Tax		1 305	-854	926	-1 622
<b>Profit/Loss for the period</b>		<b>13 352</b>	<b>-14 967</b>	<b>1 021</b>	<b>-22 187</b>
Profit/Loss after tax from discontinued operations		-255	-172	992	-427
<b>Profit/loss for the period attributable to parent company shareholders</b>		<b>13 180</b>	<b>-13 974</b>	<b>594</b>	<b>-20 454</b>
Earnings per share, remaining operations, SEK					
- before dilution		0,04	-0,04	0,00	-0,06
- after dilution		0,04	-0,04	0,00	-0,06
<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>					
<b>Profit/Loss for the period</b>		<b>13 180</b>	<b>-13 974</b>	<b>594</b>	<b>-20 454</b>
<b>Other comprehensive income:</b>					
<i>Items that may be reclassified to profit or loss</i>					
Changes in accumulated exchange rate differences		0	104	-4	226
<b>Other comprehensive income for the period</b>		<b>0</b>	<b>104</b>	<b>-4</b>	<b>226</b>
<b>Profit/Loss total</b>		<b>13 180</b>	<b>-13 870</b>	<b>590</b>	<b>-20 228</b>

## CONSOLIDATED BALANCE SHEET – IN SUMMARY

Amounts in SEK, thousands

<b>ASSETS</b>	<b>Note</b>	<b>2019-12-31</b>	<b>2018-12-31</b>
<b>Assets</b>			
Fixed assets	3	1 884	918
Immaterial assets		42 415	47 955
Deferred tax		5 750	5 213
<b>Total fixed assets</b>		<b>50 049</b>	<b>54 086</b>
<b>Current assets</b>			
Accounts receivable	4	29 279	19 667
Other current receivables	4	3 594	3 931
Accruals and deferred income		1 875	1 560
Cash and cash equivalents	4	73 676	79 543
<b>Total current assets</b>		<b>108 424</b>	<b>104 701</b>
<b>TOTAL ASSETS</b>		<b>158 473</b>	<b>158 787</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Equity		126 467	125 481
<b>Total equity attributable to parent company shareholders</b>		<b>126 467</b>	<b>125 481</b>
<b>Long-term liabilities</b>			
Long-term liabilities	3	126	0
<b>Total long-term liabilities</b>		<b>126</b>	<b>0</b>
<b>Current liabilities</b>			
Current liabilities		31 880	33 306
<b>Total current liabilities</b>		<b>31 880</b>	<b>33 306</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>158 473</b>	<b>158 787</b>

## CONSOLIDATED CASH FLOW

Amounts in SEK, thousands	Note	2019 Q4	2018 Q4	2019 Full Year	2018 Full Year
Cash flow from operating activities		15 296	-11 431	11 488	-9 339
Cash flow from changes in working capital		-9 418	-1 039	2 364	-11 965
<b>Cash flow from operating activities</b>		<b>-3 439</b>	<b>14 257</b>	<b>-9 067</b>	<b>-477</b>
Cash flow from investment activities		-1 444	-2 693	-5 843	-11 386
Cash flow from financing activities		0	-36	396	-96
<b>Cash flow for the period</b>		<b>12 813</b>	<b>-11 796</b>	<b>-5 924</b>	<b>-37 537</b>
Cash and cash equivalents at the start of the period		60 908	91 309	79 543	116 955
Translation difference in cash and cash equivalents		-45	30	57	125
<b>Cash and cash equivalents at the end of the period *</b>		<b>73 676</b>	<b>79 543</b>	<b>73 676</b>	<b>79 543</b>

\* The balance sheet item cash and cash equivalents contain only bank balances at the beginning of the period and at the end of the period.

## CHANGES IN EQUITY

Amounts in SEK, thousands	Note	2019 Full Year	2018 Full year
<b>Equity at start of period</b>		<b>125 481</b>	<b>145 805</b>
<b>Profit/Loss</b>			
Profit/Loss for the period		594	-20 454
<b>Other comprehensive income</b>			
Exchange differences		-4	226
Total other comprehensive income		-4	226
Total comprehensive income		590	-20 228
<b>Transactions with share holders</b>			
Share issue	5	396	-96
Total transactions with shareholders		396	-96
<b>Equity at end of period</b>		<b>126 467</b>	<b>125 481</b>

## NOTE 1 – ACCOUNTING PRINCIPLES

This full-year report has been prepared in accordance with IAS 34, Interim Reporting. The parent company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Annual Reporting Board's recommendation RFR2 Accounting for Legal Entities. The recognition and measurement policies as well as the bases of estimates applied in the Annual Report for 2018 have been used in this interim report. No new or revised IFRS's that has come into force in 2019 has had any effect on the company's financial reports, except IFRS 16.

### IFRS 16 Leases

IFRS 16 came into force on January 1, 2019 and replaced IAS 17. The right-of-use assets shall be reported in the balance sheet as assets and the lease payments should be included as interest payments. The costs should be divided in interest expense on the lease liability and depreciation of the right-of-use asset. When accounting for a leasing agreement an average interest rate of 3 % is used based on information from external actor. The largest lease liability is a rental agreement for the business operation in Lund.

The company chose the simplified transition method, which means that the comparative figures (2018) will not be recalculated to correspond.

The Group applies the exceptions which entails that leasing contracts with a leasing period of maximum 12 months and leasing agreement where the value of the asset is low will be excluded from the calculation of the leasing debt. These costs are accounted for as linear in the income statement. Non-lease components have been included in the calculation of the leasing liabilities. IFRS 16 is only applied at consolidated level.

## NOT 2 – REVENUE ALLOCATION

Amounts in SEK, thousands	2019 Q4	2018 Q4	2019 Helår	2018 Helår
<b>Revenue type</b>				
Royalty	20 036	2 127	31 234	18 020
Licenses	15 688	8 744	45 515	36 952
Support & Maintenance	2 105	2 282	9 119	9 544
Other	987	795	6 059	3 129
<b>Total</b>	<b>38 816</b>	<b>13 948</b>	<b>91 927</b>	<b>67 645</b>
<b>Region/Country</b>				
Europé	2 280	1 974	11 083	11 883
- whereof Sweden	1 260	1 054	4 984	6 115
Asia	33 255	8 060	65 586	40 820
- whereof China	1 691	3 074	7 641	13 202
- whereof Taiwan	30 570	1 898	53 612	9 993
USA	3 281	3 914	15 258	14 942
<b>Total</b>	<b>38 816</b>	<b>13 948</b>	<b>91 927</b>	<b>67 645</b>
<b>Timing of revenue recognition</b>				
Services transferred over time	17 849	17 793	11 026	54 634
Services transferred at a certain time	9 672	21 023	2 922	37 293
<b>Total</b>	<b>38 816</b>	<b>13 948</b>	<b>91 927</b>	<b>67 645</b>

### NOT 3 – FINANCIAL EFFECTS OF THE CHANGE TO IFRS 16

As of January 1, 2019, the new accounting standard IFRS 'Leases' is applied, which means that assets and liabilities from leasing contracts will be accounted for in the balance sheet. Below, the effects from the transition to IFRS 16, the new leases standard in the balance sheet and income statement is presented.

#### INCOME STATEMENT IN SUMMARY, GROUP

Amounts in SEK, thousands	2019	2019	2019
	Full Year	Full Year	Full Year
	Excl IFRS 16	IFRS 16	Acc. IFRS
Net sales	91 127		91 127
Cost of goods sold	-12 470		-12 470
Gross profit	<b>79 457</b>		<b>79 457</b>
Sales expenses	-28 294	74	-28 220
Administrative expenses	-14 835	24	-14 811
R&D expenses	-35 991	198	-35 794
Other operating income/expenses	19		19
<b>Operating profit/loss</b>	<b>355</b>	<b>296</b>	<b>651</b>
Financial income/expenses	-255	-301	-556
<b>Earnings before tax</b>	<b>101</b>	<b>-5</b>	<b>95</b>
Tax	926		926
<b>Profit/Loss for the period</b>	<b>1 027</b>	<b>-5</b>	<b>1 021</b>
Profit/loss after tax from divested operations	-427		-427
<b>Profit/loss for the period, total operations</b>	<b>600</b>	<b>-5</b>	<b>594</b>
Profit/loss for the period, attributable to stake holders in the parent company	<b>600</b>	<b>-5</b>	<b>594</b>

## BALANCE SHEET IN SUMMARY, GROUP

Amounts in SEK, thousands			Acc. IFRS	2019-12-31	IFRS 16	2019-12-31
<b>ASSETS</b>	CB 1812	effekt	OB 1901	Excl. IFRS 16	effekt	Acc. IFRS
<b>Assets</b>						
Fixed assets	918	9 180	10 098	819	1 065	1 884
Intangible assets	47 955		47 955	42 415		42 415
Deferred tax	5 213		5 213	5 750		5 750
<b>Total fixed assets</b>	<b>54 086</b>	<b>9 180</b>	<b>63 266</b>	<b>48 984</b>	<b>1 065</b>	<b>50 049</b>
<b>Current assets</b>						
Accounts receivable	19 667		19 667	29 279		29 279
Other current receivable	3 931		3 931	3 594		3 594
Prepaid cost and accrued income	1 560		1 560	1 875		1 875
Cash and cash equivalents	79 543		79 543	73 676		73 676
<b>Total current assets</b>	<b>104 701</b>	<b>0</b>	<b>104 701</b>	<b>108 424</b>	<b>0</b>	<b>108 424</b>
<b>TOTAL ASSETS</b>	<b>158 787</b>	<b>9 180</b>	<b>167 967</b>	<b>157 408</b>	<b>1 065</b>	<b>158 473</b>
<b>EQUITY AND LIABILITIES</b>						
<b>Equity</b>						
Equity	125 481	2	125 483	126 473	-6	126 467
<b>Total equity</b>	<b>125 481</b>	<b>2</b>	<b>125 483</b>	<b>126 473</b>	<b>-6</b>	<b>126 467</b>
<b>Total equity attributable to parent company shareholders</b>	<b>125 481</b>	<b>2</b>	<b>125 483</b>	<b>126 473</b>	<b>-6</b>	<b>126 467</b>
<b>Long-term liabilities</b>						
Long-term liabilities	0	7 768	7 768	52	74	126
<b>Total long-term liabilities</b>	<b>0</b>	<b>7 768</b>	<b>7 768</b>	<b>52</b>	<b>74</b>	<b>126</b>
<b>Current liabilities</b>						
Current liabilities	33 306	1 410	34 715	30 883	997	31 880
<b>Total current liabilities</b>	<b>33 306</b>	<b>1 410</b>	<b>34 715</b>	<b>30 883</b>	<b>997</b>	<b>31 880</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>158 787</b>	<b>9 180</b>	<b>167 967</b>	<b>157 408</b>	<b>1 065</b>	<b>158 473</b>

#### NOT 4 - FINANCIAL INSTRUMENTS

	2019-12-31	2018-12-31
	Bokfört värde	Bokfört värde
<b>Financial assets</b>		
<i>Financial assets valued at the accrued cost of acquisition</i>		
Accrued income	29 279	19 667
Accounts receivable	3 594	3 931
Other receivable	73 676	79 543
Cash and cash equivalents	<b>106 549</b>	<b>103 141</b>
<b>Financial liabilities</b>		
<i>Financial liabilities at fair value via the income statement</i>		
Derivates	0	182
<i>Financial liabilities valued at the accrued cost of acquisition</i>		
Accounts payable	4 862	4 589
Other liabilities	179	1 831
Other accrued expenses	7 142	6 383
<b>Total</b>	<b>12 183</b>	<b>12 986</b>

Derivatives consist of forward currency contracts and are used for hedging purposes and are valued according to level 2. The fair value with respect to other financial assets and liabilities corresponds in all material respects with the carrying amount in the balance sheet.

#### NOT 5 OPTION PROGRAMS

At the annual general meeting in 2017, a decision was made to offer an incentive program for the company's employees to the effect that a maximum of five million (5,000,000) stock options could be issued, with each stock option providing entitlement to subscribe to one (1) share in the company. Subscription to the stock options was to take place no later than December 31, 2017. Subscription through the exercising of stock options may take place during the period June 1, 2020 until June 30, 2020. The subscription price for the options was set at SEK 0.06 and the subscription price for the shares at SEK 5.40. At the end of the first half of 2019, 1,230,000 options had been subscribed, corresponding to 25% of the total stock option; this was after options subscribed by employees, including former CEO, had been bought back. Assuming that all stock options are exercised to subscribe to new shares, the number of shares in the company will increase by 1,330,000 shares.

At the annual general meeting 2019, a decision was made to offer an incentive program for the company's CEO and CFO by way of issuing a maximum of 1,300,000 stock options, with each stock option providing entitlement to subscribe to one (1) share in the company. Subscription to the stock options was to take place no later than June 31, 2019, with the board having the right to extend the subscription period. Subscription through the exercising of the subscription warrants may take place during June 1, 2022 until June 30, 2022. The subscription price for the options is set at SEK 0.32 and the subscription price for the shares at SEK 1.65. At the end of the first half of 2019, 1,300,000 options had been subscribed, corresponding to 100% of the total stock option. Assuming that all stock options are exercised to subscribe to new shares, the number of shares in the company will increase by 1,300,000 shares.

Dilution is considered in cases where earnings per share deteriorate. Dilution has been considered as the average share price during the interim period was above the price of the incentive program decided 2019.



**INCOME STATEMENT, PARENT COMPANY**

Amounts in SEK thousand	Not	2019 Q4	2018 Q4	2019 Full Year	2018 Full Year
Net sales		38 279	13 620	90 363	66 940
Cost of goods sold		-4 765	-3 359	-19 944	-12 372
<b>Gross profit</b>		<b>33 514</b>	<b>10 261</b>	<b>70 419</b>	<b>54 568</b>
Marketing and sales expenses		-8 717	-6 521	-25 899	-27 593
Administrative expenses		-3 273	-3 699	-14 784	-15 592
R&D expenses		-9 074	-14 375	-32 732	-32 850
Other operating income/expenses		-970	426	-407	659
		-22 034	-24 169	-73 812	-75 376
<b>Operating profit/loss</b>		<b>11 480</b>	<b>-13 909</b>	<b>-3 393</b>	<b>-20 808</b>
Financial income/expenses		-417	358	-255	-6
<b>Profit/loss before tax</b>		<b>11 063</b>	<b>-13 550</b>	<b>-3 648</b>	<b>-20 808</b>
Tax		-430	-0	-430	-420
<b>Profit/loss for the period*</b>		<b>10 633</b>	<b>-13 550</b>	<b>-4 078</b>	<b>-21 228</b>

\*Result for the period is equivalent of total result for the period

**BALANCE SHEET, PARENT COMPANY**

Amounts in SEK thousand

<b>ASSETS</b>	<b>Note</b>	<b>2019-12-31</b>	<b>2018-12-31</b>
<b>Fixed assets</b>			
Fixed assets		525	647
Intangible assets		36 342	44 332
Financial assets		7 528	8 949
<b>Total fixed assets</b>		<b>44 395</b>	<b>53 928</b>
<b>Current assets</b>			
Accounts receivable		28 811	19 276
Other current receivables		3 595	3 931
Prepaid costs and accrued income		1 557	1 488
Cash and cash equivalents		70 216	78 016
<b>Total current assets</b>		<b>104 179</b>	<b>102 712</b>
<b>TOTAL ASSETS</b>		<b>148 574</b>	<b>156 640</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Equity		118 231	121 913
<b>Total equity</b>		<b>118 231</b>	<b>121 913</b>
<b>Long-term liabilities</b>			
Long-term liabilities		52	
<b>Total long-term liabilities</b>		<b>52</b>	<b>0</b>
<b>Current liabilities</b>			
Current liabilities		30 291	34 727
<b>Total current liabilities</b>		<b>30 291</b>	<b>34 727</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>148 574</b>	<b>156 640</b>

## CONSOLIDATED KEY FIGURES

	2019	2018	2019	2018
Amounts in SEK thousand unless otherwise stated	Q4	Q4	Full Year	Full Year
Net sales	38 816	13 948	91 927	67 645
Net sales growth, %	178,3%	-1,6%	35,9%	10,8%
Gross margin, %	91,9%	80,5%	86,4%	85,2%
Operating profit/loss	12 534	-14 261	651	-19 958
Operating profit/loss, total operations	12 362	-13 269	224	-18 225
Working capital, total operations	76 544	71 395	76 544	71 395
Capital employed, total operations	126 593	125 481	126 593	125 481
Liquidity ratio, total operations, %	340%	314%	340%	314%
Equity/assets ratio, total operations, %	79,8%	79,0%	79,8%	79,0%
Return on equity, total operations, %	9,8%	neg	0,1%	neg
Earnings per share before dilution, SEK	0,04	-0,04	0,00	-0,06
Earnings per share before dilution, total operations, SEK	0,04	-0,04	0,00	-0,06
Earnings per share after dilution, SEK	0,04	-0,04	0,00	-0,06
Earnings per share after dilution, total operations, SEK	0,04	-0,04	0,00	-0,06
Equity per share, total operations, SEK	0,35	0,35	0,35	0,35
Number of shares (thousands)	360 231	360 231	360 231	360 231
Weighted average number of shares, adjusted for dilution effect (thousands)	361 531	360 231	360 881	360 231
Number of employees at the end of the period	22	27	22	27
Average number of employees during the period	22	30	22	32

## RECONCILIATION OF ALTERNATIVE KEY INDICATORS

Amounts in SEK thousand unless otherwise stated	2019	2018	2019	2018
	Q4	Q4	Full Year	Full Year
Net sales	38 816	13 948	91 927	67 645
Net sales growth, %	178,3%	-1,6%	35,9%	10,8%
Gross profit	35 657	11 227	79 457	57 645
Net sales	38 816	13 948	91 927	67 645
<b>Gross margin, %</b>	<b>91,9%</b>	<b>80,5%</b>	<b>86,4%</b>	<b>85,2%</b>
Operating profit/loss	12 534	-14 261	651	-19 958
Net sales	38 816	13 948	91 927	67 645
<b>Operating margin, %</b>	<b>32,3%</b>	<b>-102,2%</b>	<b>0,7%</b>	<b>-29,5%</b>
Operating profit/loss remaining operations	12 534	-14 261	651	-19 958
Operating profit/loss discontinued operations	-172	992	-427	1 733
<b>Rörelseresultat total verksamhet</b>	<b>12 362</b>	<b>-13 269</b>	<b>224</b>	<b>-18 225</b>
EBITDA	15 997	-11 817	13 791	-11 189
Depreciation and amortization	-3 463	-2 445	-13 140	-7 837
Write-downs	0	0	0	-932
<b>Operating profit/loss remaining operations</b>	<b>12 534</b>	<b>-14 261</b>	<b>651</b>	<b>-19 958</b>
EBITDA	15 826	-10 825	13 364	-9 456
Depreciation and amortization	-3 463	-2 445	-13 140	-7 837
Write-downs	0	0	0	-932
<b>Operating profit/loss total operations</b>	<b>12 362</b>	<b>-13 269</b>	<b>224</b>	<b>-18 225</b>
Sales expenses	-9 276	-6 543	-28 220	-27 664
Administrative expenses	-3 270	-3 707	-14 811	-15 508
R&D expenses	-9 778	-14 780	-35 794	-33 519
Other operating income/expenses	-799	-459	19	-911
<b>Total operating expenses</b>	<b>-23 123</b>	<b>-25 489</b>	<b>-78 806</b>	<b>-77 602</b>
Balance sheet total, total operations	158 473	158 787	158 473	158 787
Non-interest-bearing liabilities, total operations	31 880	33 306	31 880	33 306
<b>Capital employed, total operations</b>	<b>126 593</b>	<b>125 481</b>	<b>126 593</b>	<b>125 481</b>
Closing equity, total operations	126 467	125 481	126 467	125 481
<b>Average equity, total operations</b>	<b>116 941</b>	<b>137 034</b>	<b>116 941</b>	<b>137 034</b>
Current assets minus inventories	108 424	104 701	108 424	104 701
Current liabilities	31 880	33 306	31 880	33 306
<b>Liquidity ratio, total operations</b>	<b>340%</b>	<b>314%</b>	<b>340%</b>	<b>314%</b>
Equity	126 467	125 481	126 467	125 481
Total assets	158 473	158 787	158 473	158 787
<b>Equity/assets ratio, total operations</b>	<b>79,8%</b>	<b>79,0%</b>	<b>79,8%</b>	<b>79,0%</b>
Profit/loss after tax	594	-20 454	594	-20 454
Average equity, total operations	116 941	137 034	116 941	137 034
<b>Return on equity, total operations</b>	<b>0,5%</b>	<b>Neg</b>	<b>0,5%</b>	<b>Neg</b>

## **FINANCIAL GLOSSARY**

### **NET SALES GROWTH**

Percentage change compared with the corresponding period in the previous year. A key figure on how the company's sales are growing.

### **GROSS MARGIN**

Gross profit/loss divided by net sales. Shows how large share of sales that remains to cover salaries, operating costs, interests and profits.

### **OPERATING PROFIT/LOSS**

Profit/loss before financial net and tax. A key figure on how the company's profit before interests and taxes, i.e. the difference between revenue and operating costs. Divestment operations are not included in total operations.

### **OPERATING PROFIT/LOSS, TOTAL OPERATION**

Operating profit/loss plus profit/loss after tax from discontinued operation. A key figure on the company's profits before interest and taxes, i.e. the difference between revenues and operating costs. Divested operations are part of the total operation.

### **OPERATING EXPENSES**

Operating expenses excluding cost of goods sold. Operating expenses are costs that is not connected directly to a specific good or group of goods. Normal operating expenses are for example, salaries and other personnel costs and rentals costs.

### **EBITDA**

Profit/loss before financial net and depreciation. This key figure shows the Group's profit/loss before depreciation/amortization of capitalized assets. The figure enables comparisons with other companies independent of the operation based on acquisitions or via organic growth.

### **OPERATING MARGIN**

Operating profit/loss divided by net sales. Specifies how large share of each crown that remains to cover interest, tax and provide a potential profit.

### **CASH FLOW, TOTAL OPERATION**

Cash flow from operating activities after changes in working capital. The operating cash flow indicates if a company is generating enough positive cash flow to maintain and develop its operations, or if extern financing is necessary.

### **WORKING CAPITAL, TOTAL OPERATION**

Current assets minus current liabilities. This key figure t shows the capital a company needs to finance the operating activities.

### **CAPITAL EMPLOYMENT, TOTAL OPERATION**

Total assets less non-interest-bearing liabilities and provisions. The key figure shows how much capital that is used in the operations and with that the one component to measure return from the operations.

### **EQUITY, TOTAL OPERATION**

Equity at the end of the period. Equity is the difference between assets and liabilities, which corresponds to the company's equity capital contributed by owners and the Group's accumulated results.

**AVERAGE EQUITY, TOTAL OPERATION**

Calculated as equity for the last four quarters divided by four.

**LIQUIDITY RATIO, TOTAL OPERATION**

Current assets excluding inventories divided by current liabilities. This key figure shows the Group's ability to pay in the short term.

**EQUITY/ASSETS RATIO, TOTAL OPERATION**

Equity divided by total assets on the balance sheet date. This key figure shows what proportion of assets is funded by equity. This measure can be of interest when assessing the Group's ability to pay in the long term.

**RETURN ON EQUITY, TOTAL OPERATION**

Profit/loss after tax divided by average equity. This key figure shows the operation's return on shareholders' capital invested and is thus a measure of how profitable the Group is. Investors can compare this measure with the current bank interest rate or return from alternative investments. The measure can also be used to compare profitability between companies in the same industry.

**EARNINGS PER SHARE, REMAINING OPERATION, BEFORE DILUTION**

Profit/loss for the period from remaining operation divided by average number of shares.

**EARNINGS PER SHARE, REMAINING OPERATION, AFTER DILUTION**

Profit/loss for the period from remaining operation divided by weighted average number of shares.

**EARNING PER SHARE, TOTAL OPERATION, BEFORE DILUTION**

Profit/loss for the period from total operation divided by average number of shares.

**EARNINGS PER SHARE, TOTAL OPERATION, AFTER DILUTION**

Profit/loss for the period from total operation divided by weighted average number of shares.

**EQUITY PER SHARE, TOTAL OPERATION**

Equity on the balance sheet date divided by the number of shares on the balance sheet date.