

INTERIM REPORT

Image Systems AB (publ)

January–March 2021

Motion Analysis maintains its high margins

RemaSawco increases order intake

First quarter 2021

- Revenue amounted to MSEK 34.3 (44.1).
- EBITDA amounted to MSEK 0.5 (2.3).
- Operating profit amounted to MSEK -4.4 (-2.2).
- Result after taxes amounted to MSEK -4.4 (-3.3).
- Order intake amounted to MSEK 51.7 (38.5).
- Order backlog amounted to MSEK 60.4 (58.1).
- Gross margin amounted to 72 (62) percent.
- Basic and diluted earnings per share amounted to SEK -0.05 (-0.04).

Significant events after the period

- Collectum has recently informed the Swedish part of the business unit RemaSawco of incorrect payments of pension contributions between 2014 and 2020. The business unit is burdened by pension and tax expenses totaling MSEK 1.4 during the quarter.

A WORD FROM THE CEO

The Group reports a distinctly improved order intake, while the internal cost savings and improvement projects are yielding results in the form of increased gross margins for the projects. Revenue fell more than MSEK 10 short of the previous year due to the weak order intake in 2020. The Group's EBITDA deteriorated slightly to MSEK 0.5 (2.3). Adjusted for the pension liabilities incurred to Collectum, EBITDA remains in line with the previous year.

I am noting a positive change in the investment climate among Swedish sawmills, with a highly favourable market situation for our customers. As regards the Motion Analysis business unit, the market remains stable, with a balanced distribution of revenue between Europe, Asia and North America. Our profitability continues to be good, and the implementation of the subscription model progresses continuously. The business unit is somewhat hampered by the travel restrictions, but our global presence through own sales offices and distributors enables us to stay close to our customers.

Q1

JANUARY
– MARCH
2021

DEVELOPMENT IN THE FIRST QUARTER

RemaSawco

The first quarter was characterized by a major change in market activities in the Swedish and Norwegian markets in particular. The sawmills are now experiencing very favourable times, with relatively low raw material prices and high sales prices. We can see that most of the major sawmill groups consider that there is substantial opportunities in a future context of increasingly digitalized operations. This is a concept where RemaSawco is investing major resources, to establish architecture and digital products that make use of data from the entire production flow.

We have, as planned, gained ground on the European market through the sales of our first board scanner to Handlos in Austria, and the first Finnish installation is now in production.

Sales revenue for the business unit decreased slightly compared to the previous year, as a consequence of last year's impact of the Corona pandemic. Nevertheless, we managed to strongly improve our project margins during the quarter, which balances the result.

Since the consolidation of the acquisitions RemaControl and Sawco AB in 2014, Collectum has invoiced pension contributions in erroneous amounts. This was discovered during the quarter and resulted in a negative impact of approximately MSEK 1.4 on the business unit's result.

Motion Analysis

The first quarter was marked by an intensive development of the business unit's new software platform, with a view to both modernizing and expanding the product portfolio and facilitating the transition to a subscription-based business model. The business unit pursues a strategy of shifting the business model over time, while maintaining the good profitability inherent to the market. Sales decreased by approximately 25 percent compared to the previous year as a result of the reduced business travel induced by restrictions. In the Asian market, more normal procedures have resumed, and we anticipate the same developments in Europe and North America once the restrictions are lifted.

The business unit continues to deliver good profitability to the Group.

FINANCIAL INFORMATION

First quarter

Order intake amounted to MSEK 51.7 (38.5). Order backlog as of March 31, 2021, amounted to MSEK 60.4 (58.1). Revenue amounted to MSEK 34.3 (44.1), of which 2.2 (1.1) related to capitalized development expenses. Gross margin amounted to 72 (62) percent. EBITDA deteriorated by MSEK 1.9 and totaled MSEK 0.5 (2.3). Depreciation/amortization increased by MSEK 0.4 to MSEK 4.9 (4.5). Net financial items improved by MSEK 1.1 to MSEK -0.2 (-1.3). Result after taxes amounted to MSEK -4.4 (-3.3). Revenue and EBITDA per business unit is presented on page 5.

Investments and financial position

The Group's investments in non-current assets amounted to MSEK 2.2 (1.1) of which MSEK 2.2 (1.1) is related to capitalized development projects. Available liquid funds including undrawn overdraft facilities amounted to MSEK 16.8 (10.4) as of March 31, 2021. The operational cash flow amounted to MSEK -3.7 (2.9). Solidity amounted to 57 (57) percent as of March 31, 2021. Net indebtedness amounted to 0.3 (0.4) times.

RESEARCH AND DEVELOPMENT

RemaSawco

During the period, RemaSawco worked intensively on preparations for the new software releases of board scanner and optimization software for 2021. A number of customers will receive these updates during the second quarter.

Moreover, considerable development efforts have been made in the context of the internal project "Connected Sawmill", which lays the foundations for the company's digital effort to make valuable data available to the sawmill from RemaSawco's measuring systems. The EU-funded Basajaun project, where digital value chains are analyzed all the way from forest to building, has entered its implementation phase, and RemaSawco is now implementing practical development together with the other project participants.

Motion Analysis

The first quarter was characterized by a customer project to adapt the TrackEye software to the requirements of the French Armed Forces, and these developments will eventually be offered to other customers as upgrades or new options. In the context of our development in tandem with the French Armed Forces, a number of subprojects have also been delivered based on the company's new technology platform. These are expected to be delivered as products during the year.

In parallel, work on various quality-enhancing efforts in our main products TEMA and TrackEye has been ongoing, and the period saw a number of minor releases.

THE PARENT COMPANY

The Parent Company's revenue amounted to MSEK 0.9 (1.0). Operating profit amounted to MSEK -0.8 (-1.3). Result after taxes amounted to MSEK -0.5 (-2.2). Investments in fixed assets amounted to MSEK 0.0 (0.0). The Parent Company's available liquid funds amounted to MSEK 0.0 (0.0) as of March 31, 2021. The Parent Company's equity amounted to MSEK 134.2 (134.2) as of March 31, 2021, and solidity amounted to 91 (87) percent.

PERSONNEL

The average number of employees was 84 (90).

NUMBER OF SHARES

The number of shares on March 31, 2021, amounted to 89,207,818.

ACCOUNTING POLICIES

Image Systems applies the International Financial Reporting Standards (IFRS) as adopted by the EU. The interim report for the Image Systems Group is prepared in accordance with IAS 34, Interim Financial Reporting, and the Swedish Annual Accounts Act. Disclosure in accordance with IAS 34, Interim Financial Reporting, is provided in notes as well as elsewhere in the interim report.

The interim report for the Parent Company, Image Systems AB, is prepared in accordance with the Swedish Annual Accounts Act as well as the Swedish Financial Reporting Board's recommendations RFR 2 Accounting for Legal Entities.

Image Systems applies the ESMA (European Securities and Markets Authority) Guidelines on Alternative Performance Measures. Definitions of indicators are provided on page 7 and relevant reconciliations on page 9.

RISKS AND UNCERTAINTIES

The Group's significant risks and uncertainties include business risks related to agreements with customers and suppliers as well as other external factors such as currency fluctuations. The Group's significant financial and business-related risks are discussed at depth in the management report and under Note 3 in the 2020 Annual Report. The effects of the COVID-19 pandemic will influence the business conditions and the opportunities for travel moving forward, and may delay orders and project execution. We do not consider the long-term effects of COVID-19 to have any material impact on the Group. Aside from the above, no significant new or changed risks or uncertainties have been identified during the quarter.

This interim report has not been reviewed by the Company's auditors.

Linköping, May 5, 2021

Johan Friberg

CEO

Upcoming report dates:

Annual General Meeting	May 5, 2021
Interim report April-June 2021	August 20, 2021
Interim report July-September 2021	November 12, 2021
Year-end Report, 2022	February 11, 2022

The information in this report is disclosed pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, on May 5, 2021, 1:00 p.m.

The financial reports will be made available to the public on the Company's website <http://www.imagesystemsgroup.se>

Questions will be answered by:

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Image Systems is a Swedish high-technology company and a leading supplier of products and services in high-resolution image processing. By challenging the market's concepts at all times, offering novel and more efficient solutions instead, we help our customers achieve greater success in their business. The company caters to a large number of industries around the world, and the operations are divided into two business units: RemaSawco and Motion Analysis. Image Systems has about 90 employees in offices in Sweden, Finland and Norway. In 2020, the Group's turnover was MSEK 167. The share is listed on NASDAQ Stockholm's Small Cap list and trades under the ticker IS. For more information, please visit our website www.imagesystemsgroup.se

CONDENSED CONSOLIDATED INCOME STATEMENT

MSEK	Jan-Mar 2021	Jan-Mar 2020	Full year 2020
Sales revenue	32.1	43.0	162.7
Capitalized development costs	2.2	1.1	4.5
Total revenue	34.3	44.1	167.2
Raw materials and consumables	-9.6	-16.9	-64.5
Other external charges	-5.0	-6.2	-24.6
Personnel costs	-19.3	-19.0	-72.9
Depreciation/amortization of fixed tangible and intangible assets	-4.9	-4.5	-17.5
Other operating income	0.1	0.3	-
Other operating costs	-	-	-0.6
Operating profit	-4.4	-2.2	-12.9
Net financial items	-0.2	-1.3	-3.5
Profit before tax	-4.6	-3.5	-16.4
Tax	0.2	0.2	-1.9
Profit/loss for the period	-4.4	-3.3	-18.3
Of which attributable to the Parent Company shareholders	-4.4	-3.3	-18.3
Earnings per share ¹⁾	-0.05	-0.04	-0.21
Diluted earnings per share ¹⁾	-0.05	-0.04	-0.21
Average number of shares	89,207,818	89,207,818	89,207,818
Average number of shares after dilution	89,207,818	89,207,818	89,207,818

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Profit/loss for the period	-4.4	-3.3	-18.3
Other comprehensive income			
Items that can later be reclassified into profit or loss			
Translation differences	0.0	0.1	0.0
Tax relating to attributable items	-	-	-
Total other comprehensive income	0.0	0.1	0.0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-4.4	-3.2	-18.4
Of which attributable to Parent Company shareholders	-4.4	-3.2	-18.4

1) Calculated on the basis of average number of shares

SEGMENT REPORTING

The Group

Revenue and profit per segment	Jan-Mar 2021	Jan-Mar 2020	Full year 2020
RemaSawco	25.7	32.5	132.6
Motion Analysis	8.6	11.6	34.6
Parent Company & consolidated items	-	-	-
Total revenue	34.3	44.1	167.2
EBITDA			
RemaSawco	-2.0	-2.4	-2.2
Motion Analysis	3.3	6.0	12.7
Admin & consolidated items	-0.8	-1.3	-5.9
EBITDA total	0.5	2.3	4.6
Depreciation/amortization of fixed tangible and intangible assets	-4.9	-4.5	-17.5
Operating profit	-4.4	-2.2	-12.9
Net financial items	-0.2	-1.3	-3.5
Profit before tax	-4.6	-3.5	-16.4
Tax	0.2	0.2	-1.9
Profit/loss for the period	-4.4	-3.3	-18.3

CONDENSED CONSOLIDATED BALANCE SHEET

MSEK	Mar 31 2021	Mar 31 2020	Dec 31 2020
Non-current assets			
Goodwill	36.1	36.1	36.1
Customer relations	34.1	42.3	36.1
Trademarks	1.8	3.7	2.2
Capitalized development costs	28.0	24.6	26.5
Tangible fixed assets	27.0	25.0	25.5
Deferred tax assets	19.1	20.5	19.1
Total non-current assets	146.1	152.2	145.5
Current assets			
Inventories	12.2	10.6	11.5
Trade receivables	20.8	40.3	17.3
Other receivables	10.6	22.0	15.2
Cash and cash equivalents	3.5	2.3	3.8
Total current assets	47.1	75.2	47.8
TOTAL ASSETS	193.2	227.4	193.3
Equity (attributable in full to Parent Company shareholders)	109.4	129.0	113.8
Non-current liabilities			
Borrowings from credit institutions	3.8	-	-
Lease liabilities	15.2	16.1	15.9
Deferred tax liabilities	7.1	7.6	7.2
Total non-current liabilities	26.1	23.7	23.1
Current liabilities			
Borrowings from credit institutions	11.0	15.4	11.4
Provisions for contingent consideration	-	17.2	-
Trade payables	11.2	14.6	16.3
Lease liabilities	5.2	2.2	3.8
Other current payables	30.3	25.3	24.9
Total current liabilities	57.7	74.7	56.4
TOTAL EQUITY AND LIABILITIES	193.2	227.4	193.3

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Jan-Mar 2021	Jan-Mar 2020	Full year 2020
Opening balance equity	113.8	132.2	132.2
Net profit for the year	-4.4	-3.3	-18.3
Other comprehensive income for the period	0.0	0.1	0.0
Total comprehensive income for the period	-4.4	-3.2	-18.4
Closing balance equity	109.4	129.0	113.8

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

MSEK	Jan-Mar 2021	Jan-Mar 2020	Full year 2020
Cash flow from operating activities before change in working capital	0.2	0.9	-8.7
Change in working capital			
Increase (-)/Decrease (+) in inventories	-0.7	-0.2	-1.1
Increase (-)/Decrease (+) in operating receivables	0.2	5.1	37.9
Increase (+)/Decrease (-) in current liabilities	-1.2	-1.8	-2.0
Total change in working capital	-1.7	3.1	34.8
Cash flow from operating activities	-1.5	4.0	26.1
Investing activities			
Acquisition of Group companies	-	-	-12.0
Acquisition of intangible fixed assets	-2.2	-1.1	-4.8
Acquisition of tangible fixed assets	-	-	-0.9
Cash flow from investing activities	-2.2	-1.1	-17.7
Operating cash flow	-3.7	2.9	8.4
Financing activities			
Increase (+) of borrowings	3.4	-	-
Decrease (-) of borrowings	-	-3.8	-7.8
Cash flow from financing activities	3.4	-3.8	-7.8
Cash flow for the period	-0.3	-0.9	0.6
Cash and cash equivalents at the beginning of the period	3.8	3.2	3.2
Exchange rate difference on cash and cash equivalents	0.0	0.0	0.0
Cash and cash equivalents at the end of the period	3.5	2.3	3.8

INDICATORS

The Group	Jan-Mar 2021	Jan-Mar 2020	Full year 2020
Order intake, MSEK	51.7	38.5	135.9
Order backlog, MSEK	60.4	58.1	39.0
Gross margin, %	72	62	61
Operating margin, %	neg	neg	neg
Profit margin, %	neg	neg	neg
Return on capital employed, %	neg	neg	neg
Return on equity, %	neg	neg	neg
Solidity, %	57	57	59
Debt/equity ratio	0.3	0.4	0.2
Net investments in non-current assets, MSEK	2.2	1.1	17.7
Depreciation/amortization of fixed assets, MSEK	4.9	4.5	17.5
Average number of employees	84	90	90
Number of shares at the end of the period, millions	89.21	89.21	89.21
Average number of shares, millions	89.21	89.21	89.21
Earnings per share ¹⁾ , SEK	-0.05	-0.04	-0.21
Cash flow per share ¹⁾ , SEK	-0.04	0.03	0.09
Equity per share ²⁾ , SEK	1.23	1.45	1.28

¹⁾ Calculated on the basis of average number of shares

²⁾ Calculated on the basis of number of shares at the end of the period

QUARTERLY OVERVIEW

The Group	2021					2020				2019				2018		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q4	Q3	Q2	
Order intake, MSEK	51.7	37.7	33.4	26.3	38.5	70.3	24.1	43.3	73.3	74.8	27.8	32.6				
Order backlog, MSEK	60.4	39.0	41.0	45.9	58.1	64	54.5	84.2	98.5	65.8	40.8	59.0				
Revenue, MSEK	34.3	39.8	39.5	43.8	44.1	54.9	61.3	51.4	44.1	48.2	46.3	44.0				
Gross margin, %	72	64	62	56	62	58	51	66	60	59	63	59				
EBITDA, MSEK	0.5	-3.9	3.9	2.3	2.3	2.6	6.7	2.4	0.9	1.8	5.6	2.5*				
Operating profit (EBIT), MSEK	-4.4	-8.4	0.1	-2.4	-2.2	-1.9	1.7	-1.3	-2.9	-1.1	2.2	0.4*				
Operating margin, %	neg	neg	0	neg	neg	neg	2.4	neg	neg	neg	4.8	0.9				
Return on equity, %	neg	neg	neg	neg	neg	neg	1.1	neg	neg	neg	0.6	neg				
Solidity, %	57	59	59	56	57	56	55	58	57	62	34	33				
Earnings per share, SEK	-0.05	-0.15	0.00	-0.02	-0.04	-0.03	0.02	-0.02	-0.04	0.17	0.01	-0.03				
Cash flow per share, SEK	-0.04	-0.02	0.06	0.02	0.03	0.07	-0.18	-0.12	0.12	-0.18	-0.24	-0.87				
Equity per share, SEK	1.23	1.28	1.42	1.43	1.45	1.48	1.52	1.50	1.52	1.56	1.82	1.83				
Average number of shares, millions	89.21	89.21	89.21	89.21	89.21	89.21	89.21	89.21	89.21	55.22	38.23	38.23				

DEFINITIONS

Income measures

EBITDA

Operating profit plus depreciation/amortization on tangible and intangible assets

Margins

Operating margin, %

Operating profit in relation to net sales.

Profit margin, %

Profit before tax in relation to net sales.

Return

Return on average capital employed, %

Operating profit plus interest income in relation to average capital employed. Capital employed comprises the balance sheet total less non-interest-bearing liabilities.

Return on average equity, %

Profit/loss for the period in relation to average equity.

Capital structure

Solidity, %

Equity at the end of the period in relation to the balance sheet total.

Debt/equity ratio, times

Interest-bearing liabilities at the end of the period minus cash and cash equivalents in relation to equity.

Net debt, MSEK

Interest payable minus cash and cash equivalents

Other

Net investments in non-current assets, MSEK

Net investments in intangible and tangible assets as well as financial assets during the period.

Average number of employees

Average number of employees during the period.

Data per share

Number of shares at the end of the period, in millions

Number of shares outstanding at the end of the period.

Average number of shares, millions

Average number of shares during the period.

Earnings per share, SEK

Result after taxes divided by the average number of shares.

Cash flow per share, SEK

Operating cash flow divided by the average number of shares.

Equity per share, SEK

Equity divided by the number of shares at the end of the period.

PARENT COMPANY'S CONDENSED INCOME STATEMENT

MSEK	Jan-Mar 2021	Jan-Mar 2020	Full year 2020
Revenue	0.9	1.0	4.2
Other external charges	-0.9	-1.1	-4.5
Personnel costs	-0.8	-1.2	-5.6
Other operating costs	-	-	-
Operating profit	-0.8	-1.3	-5.9
Net financial items	0.3	-0.9	4.2
Profit before tax	-0.5	-2.2	-1.7
End-of-year adjustments	-	-	-
Tax	-	-	-
Profit/loss for the period	-0.5	-2.2	-1.7

PARENT COMPANY'S CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Profit/loss for the period	-0.5	-2.2	-1.7
Other comprehensive income	-	-	-
Total other comprehensive income	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-0.5	-2.2	-1.7

PARENT COMPANY'S CONDENSED BALANCE SHEET

MSEK	Mar 31 2021	Mar 31 2020	Dec 31 2020
Non-current assets			
Shares in subsidiaries	131.2	122.1	131.2
Deferred tax assets	10.9	10.9	10.9
Total non-current assets	142.1	133.0	142.1
Current assets			
Receivables from Group companies	0.3	16.0	-
Other current receivables	5.0	5.0	4.1
Cash and cash equivalents	0.0	0.0	0.4
Total current assets	5.3	21.0	4.5
TOTAL ASSETS	147.4	154.0	146.6
Equity (attributable in full to Parent Company shareholders)	134.2	134.2	134.7
Current liabilities			
Provisions for contingent consideration	-	17.2	-
Trade payables	1.0	0.9	0.4
Liabilities to Group companies	11.1	-	9.1
Other current payables	1.1	1.7	2.4
Total current liabilities	13.2	19.8	11.9
TOTAL EQUITY AND LIABILITIES	147.4	154.0	146.6

PARENT COMPANY'S CONDENSED STATEMENT OF CHANGES IN EQUITY

MSEK	Jan-Mar 2021	Jan-Mar 2020	Full year 2020
Opening balance equity	134.7	136.4	136.4
Profit/loss for the period	-0.5	-2.2	-1.7
Other comprehensive income for the period			
Total comprehensive income for the period	-0.5	-2.2	-1.7
Closing balance equity	134.2	134.2	134.7

PARENT COMPANY'S CONDENSED CASH FLOW STATEMENT

MSEK	Jan-Mar 2021	Jan-Mar 2020	Full year 2020
Cash flow from operating activities before change in working capital	-0.8	-0.3	-5.1
Change in working capital			
Increase (-)/Decrease (+) in receivables	-0.6	-1.6	-0.6
Increase (+)/Decrease (-) in current liabilities	-0.6	0.1	0.3
Total change in working capital	-1.2	-1.5	-0.3
Cash flow from operating activities	-2.0	-1.8	-5.4
Investing activities			
Acquisition of subsidiaries			-12.0
Borrowings from (+)/to (-) subsidiaries	1.6	1.7	17.7
Cash flow from investing activities	1.6	1.7	5.7
Operating cash flow	-0.4	-0.1	0.3
Financing activities			
Increase (+) of borrowings	-	-	-
Decrease (-) of borrowings			
Cash flow from financing activities	0.0	0.0	0.0
Cash flow for the period	-0.4	-0.1	0.3
Cash and cash equivalents at the beginning of the period	0.4	0.1	0.1
Exchange rate difference on cash and cash equivalents	0.0	0.0	0.0
Cash and cash equivalents at the end of the period	0.0	0.0	0.4

RELEVANT RECONCILIATIONS OF NON-IFRS INDICATORS

THE GROUP

ALTERNATIVE INDICATORS

In addition to the financial indicators that are prepared in accordance with the IFRS, Image Systems presents financial indicators outside the scope of the IFRS, such as EBITDA and Net debt.

These alternative indicators are considered to be important results and performance indicators for investors and other readers of the interim report. The alternative indicators should be regarded as complementary information and not as a substitute for the financial information presented in accordance with the IFRS.

Image Systems' definitions of these measures that are not defined by the IFRS are provided in the "Definitions" section of this report.

Other companies may use other definitions, and the measures may therefore not be comparable to similar indicators used by other companies.

EBITDA

Image Systems considers EBITDA to be a relevant measure for investors to be able to comprehend profit generation before investments in fixed tangible and intangible assets.

NET DEBT

Image Systems considers Net debt to be a relevant measure for investors to be able to comprehend the indebtedness of the Group.

OPERATING RESULT BEFORE DEPRECIATION/AMORTIZATION (EBITDA)

	Mar 31 2021	Mar 31 2020	Dec 31 2020
MSEK			
Operating profit	-4.4	-2.2	-12.9
Depreciation/amortization of fixed tangible and intangible assets	4.9	4.5	17.5
EBITDA	0.5	2.3	4.6

NET DEBT

	Mar 31 2021	Mar 31 2020	Dec 31 2020
MSEK			
Cash and cash equivalents	3.5	2.3	3.8
Provisions for contingent consideration		17.1	
Lease liabilities	20.4	18.3	19.7
Interest-bearing liabilities	14.8	15.4	11.4
Net debt	31.7	48.5	27.3