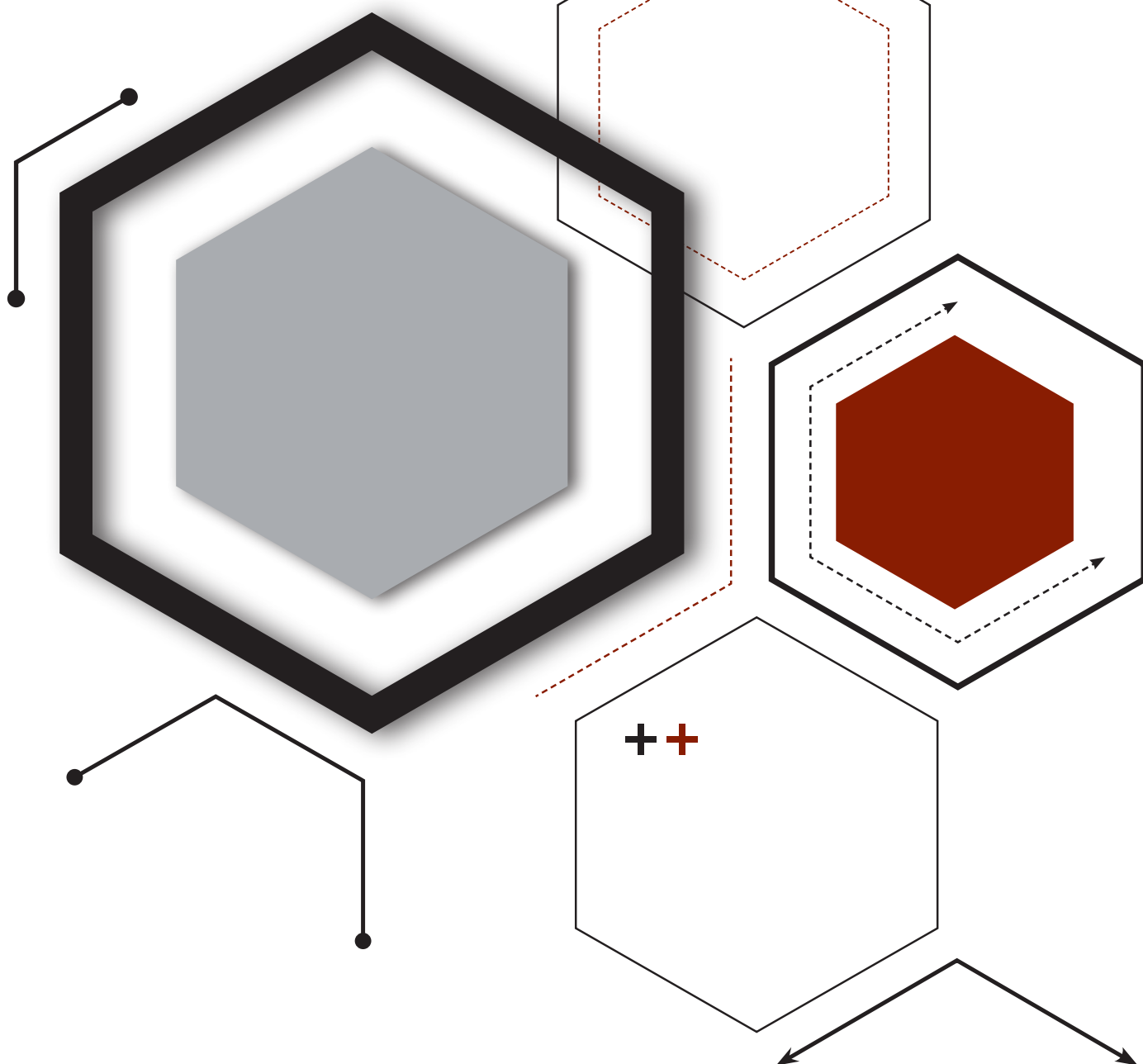


ANNUAL REPORT

2022






Our vision is to be a
“Center of Excellence”
in non-contact measurement
technology



image
SYSTEMS


Rema**Sawco**

MOTION
ANALYSIS

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DATES FOR FINANCIAL INFORMATION

Interim report January 1 - March 31, 2023 May 4, 2023
Annual General Meeting 2023 May 4, 2023
Interim report April 1 - June 30, 2023 August 23, 2023
Interim report July 1 - September 30, 2023 November 10, 2023
Year-end report 2023 February 9, 2024

REQUESTING FINANCIAL INFORMATION

Financial and other relevant company information is published on
<https://imagesystemsgroup.se>

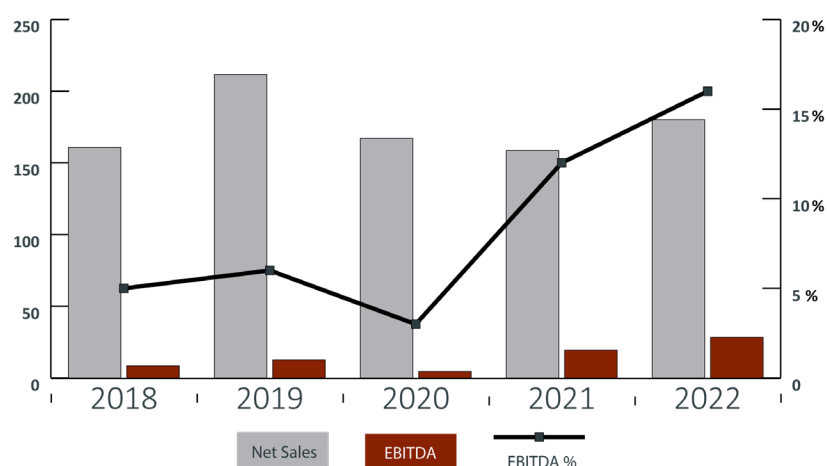
A YEAR OF IMPROVEMENTS



- Revenue amounted to MSEK 180.2 (158.7), an increase of 14 percent. Order intake increased by just over 3 percent to MSEK 189.0 (182.8).
- Profitability improved in 2022 by 4 percentage points. EBITDA amounted to MSEK 28.4 (19.4), corresponding to an EBITDA margin of 16 percent (12), exceeding the Board's long-term financial target for the Group.
- The order backlog at the end of the year amounted to MSEK 81.9 (72.0), an increase of 14 percent.
- The RemaSawco business unit carried out a reorganization and focused on a portfolio of profitable products. The business unit started a review of its service offering.
- The Motion Analysis business unit was given the opportunity to travel and visit customers again after the pandemic, which had a positive effect on order intake and sales.

KEY FIGURES	2022	2021
Order intake, MSEK	189.0	182.8
Order backlog, MSEK	81.9	72.0
Cash flow from operating activities, MSEK	25.1	12.8
Gross margin, %	69	68
EBITDA margin, %	16	12
Solidity, %	63	58
Average number of employees	72	82

THE GROUP'S PERFORMANCE



A WORD FROM THE CEO



We entered 2022 with the goals of maintaining a high pace of change and investing in growth and profitability. I would say that we have succeeded well with these goals, and we exceeded our long-term EBITDA profitability target of 15 percent by one percentage point.

To undergo profound changes while increasing profitability places high demands on employees in the form of hard work and commitment. Our achievements this year would not have been possible without their competence and confidence in the future. I want to thank them sincerely for this.

In 2022, the underlying strength of owning and managing niche companies in non-contact measurement technology can be seen. We now have two business units that are separately profitable and jointly operate in markets with positive macro trends. It gives us hope for the future. However, realizing the potential inherent in our Group will continue to require at least as much effort in the future.

We have worked in the RemaSawco business unit during the year to phase out the older part of our product portfolio to focus the offering on profitable products that enable a more streamlined offering in both functionality and service to our customers. We have made some progress but have yet to reach the finish line. The RemaSawco business unit has also reorganized itself during the year, again to strengthen its offering and service capacity. We will stay this course by investing in new products and solutions and focusing even more on building our service business and customer satisfaction.

Following several years of flying high, the sawmill industry is facing short-term challenges in terms of profitability. However, the long-term trend of the industry is positive, and optimized use of our forest raw material is a cornerstone of the transition to a smarter and more sustainable society. RemaSawco has an important role to play here. We aim to establish a position as the preferred supplier to the most progressive sawmills. We see our growth journey as having several steps, where an expanded service offering and a growing service business is the first step.

For the Motion Analysis business unit, we can look back on a year when the world opened up to travel again. The business unit took advantage of this immediately and made sure to visit customers in person regularly. The effect was soon evident. The order intake and net sales increased rapidly, which can be seen as a kind of ketchup effect after the Covid-19 pandemic.

The business unit has intensified its presence in North America during the year and will further invest in increasing our presence in key markets.

The new product platform under development has passed several important milestones during the year. The purpose of this new platform is not only to modernize our product but also to make it more accessible to new customers and open it up to other complementary products to create new innovative solutions and thus grow beyond our existing niche.

Motion Analysis operates and is the market leader in a very narrow niche, the analysis of high-speed film. This creates barriers to competition and provides suitable conditions for profitability, provided the Company invests in being at the forefront of technology and working closely with our customers.

We now leave a year strengthened by our successes and confidently look to the future. We will continue in the direction taken and focus on profitability, scalability, and implementation of recurring revenue models.

Linköping in April 2023.

Johan Friberg
CEO and President

A GLOBAL COMPANY



Image Systems is a global Group. We currently have customers in a total of 47 countries and we have our own operations in seven countries. The sun never sets on Image Systems.



HIGH-LEVEL MEASUREMENT TECHNOLOGY

Image Systems is a Group offering products and solutions in non-contact measurement technology. The Group currently consists of two business units – RemaSawco and Motion Analysis. What unites them is that they are world leaders in their respective niches.

VISION

Image Systems' vision is to gather market-leading high-tech measurement technology companies in a Center of Excellence. Digitalization cannot be done without quality and accuracy of data, and this trend supports our goals.

STRATEGY

Our intention is to create a Group of high-tech measurement technology companies. What distinguishes companies in the Group should be that:

- We work in measurement technology, mainly in non-contact measurement technology, which means that our measurement systems do not affect the object they analyze.
- We operate in a well-defined niche.
- We are market leaders, either globally or within a geographic market.

We expect these three components to provide the conditions for long-term profitability.

It is our belief that measurement technology will grow in the future. Digitalization, automation, and sustainability are underlying driving forces that affect growth in the markets where Image Systems operates. To achieve this, more accurate data needs to be created that can be analyzed, presented, and used to support decision-making. Our products do just that: They manage and analyze data in an intelligible way so that our customers can optimize their operations.

What our two business units have in common today is that they are world leaders in their respective measurement technology niches. We intend to continue growing by building on our strengths.

BUSINESS MODEL

We have different business models for our business units. Where RemaSawco mostly delivers its goods and services in project form, Motion Analysis mainly delivers software as a license. The Company has, during the year, announced a change in its strategic direction regarding business models. Both business units are tasked with delivering as much recurring revenue as possible, such as software subscriptions or service offerings.

OUR OPERATIONS

Image Systems operates in widely different market niches where the common denominator is world-leading measurement technology solutions. RemaSawco is mainly active in the sawmill market in the Nordic and Baltic countries. Motion Analysis has a high market share globally and is active in high-speed analysis worldwide.

The aftermarket in the form of software upgrades, service, and support is an important part of maintaining good quality for our customers.

RemaSawco's head office is located in Linköping and the Company has several local operating offices in Scandinavia. The central research and development teams are located in Skellefteå (X-ray technology) and Linköping (scanner technology). The development teams are deliberately established close to universities to secure competence and ensure that RemaSawco is at the forefront of technology development.

“ We are currently investing heavily in product development to meet the sawmills’ need to transition to more automated decisions and digital processes. Furthermore, we are making great investments in a new, strong service offering. We have a market-leading position as a supplier in the Scandinavian market.

Emilien Saindon, CEO and Business Unit Manager RemaSawco ”

SCALABLE OFFERING AND PARTNERSHIPS

At RemaSawco, we have a long-term ambition to offer our solutions worldwide and become the market leader. We consider the scalability of our offering and business models to be important cornerstones to achieve this goal and it is, therefore, a natural part of our strategy. In 2022, we consolidated the product portfolio, redirected our development projects, and strengthened our service offering, an effort that will be ongoing in the coming years. Scalability also means reviewing our medium-term market strategy with clear phase-in steps for new geographic markets.

For RemaSawco, a scalable offering allows us to implement our systems in new geographic markets quickly while maintaining quality and service levels. This has clearly influenced how we develop our products, as we now aim for a higher degree of parameter-based standard solutions. We also have the ambition to develop products with open interfaces (API) to facilitate integration with customers' existing systems and simplify our service commitment to ensure accessibility.

To support and reinforce this strategy, we are increasingly broadening our network of partners who can strengthen our capabilities in, for example, supply, manufacturing, and service. Strategic partnerships also help us maintain geographic proximity to our customers wherever they are in the world.

MARKET

During 2022, RemaSawco has focused on further strengthening our market position in Scandinavia and the Baltics. RemaSawco's main focus in the medium term will be on securing delivery capacity and developing our own sales channels in new geographic areas.

The year 2022 was a strong year for the sawmill industry. The start of the year was characterized by high demand for sawmill products, while wood product prices increased further from the already very high levels reached in 2021. However, demand fell to slightly lower levels in 2022, and many sawmills had to resort to temporary production stops to keep wood inventories at reasonable levels.

The market is currently somewhat cautious, but the overall assessment is that demand will gradually return, albeit affected by the weak development in the construction industry. Order intake at sawmills is increasing compared with the low levels in the autumn, while the widespread fall in wood product prices has sharply reduced sawmill profit margins.

The outlook for sawmills remains positive. Wood consumption is estimated to continue growing, not least due to the climate policy-sup-



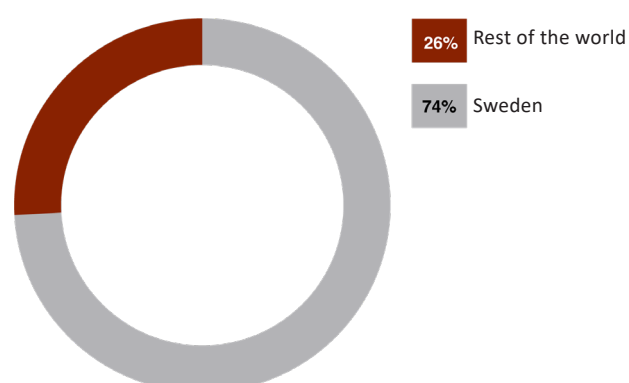
ported wooden construction. Furthermore, it is reasonable to assume that production in Russia, which before the Ukraine war was the world's second-largest producer of wood products, will continue to be reduced due to sanctions.

SERVICE

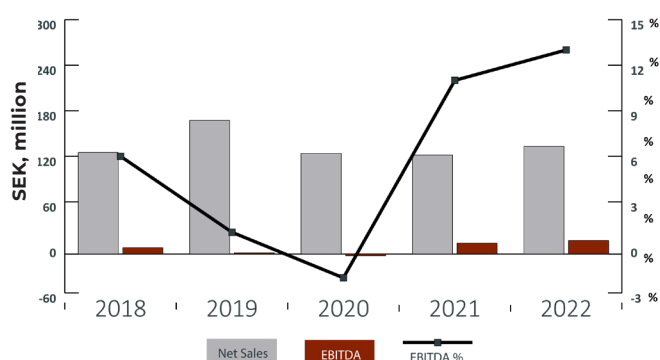
In previous years, RemaSawco has traditionally offered our customers maintenance and service on an ongoing needs basis. But as the market evolves, the demands and needs of our customers change with it. Availability has become a crucial concept for ensuring deliveries and profitable production, and RemaSawco has therefore started to develop a new type of service in maintenance and servicing in 2022 to meet these needs and requirements. The result is a safer everyday life for our customers with increased and secured availability in production.

This new direction also requires strategic partnerships, both in Scandinavia and the rest of Europe, and this area is one of our key focus areas in the short term.

REMASAWCOS REVENUE 2022 MSEK 141.9



REMASAWCOS REVENUE AND PERFORMANCE 2018–2022



MOELVEN

“RemaSawco is a highly valued partner”

Peter Rockedahl is CTO at Moelven Timber. Moelven has had a long and rewarding collaboration with RemaSawco. “We are a Group that cuts logs into boards and planks and treats them by planing, impregnating, and painting. Apart from that, we make glulam structures for finished houses,” explains Peter.

What does RemaSawco help you with?

“They help us measure and steer so that the logs get to the right place and are cut into the right sawing patterns. They also help us optimize our operations to get the most out of the raw material. Further up the process, we use their system to assess the boards and planks when they are dried so they can be sorted for proper use.”

Peter Rockedahl describes the contact with RemaSawco as excellent. “Together we help each other grow,” he says, and he sees a great advantage in collaborating with a technology company that knows the industry. “RemaSawco was one of the first automation companies that sawmills in Sweden came into contact with and it has a long history. Since it has been around for so long and knows our industry well, it became a relatively easy choice when we needed to update ourselves. We highly appreciate RemaSawco as a partner and see an advantage in having this tradition of knowledge mixed with the new initiatives and innovations that RemaSawco has developed.”

How do you experience the communication with RemaSawco?

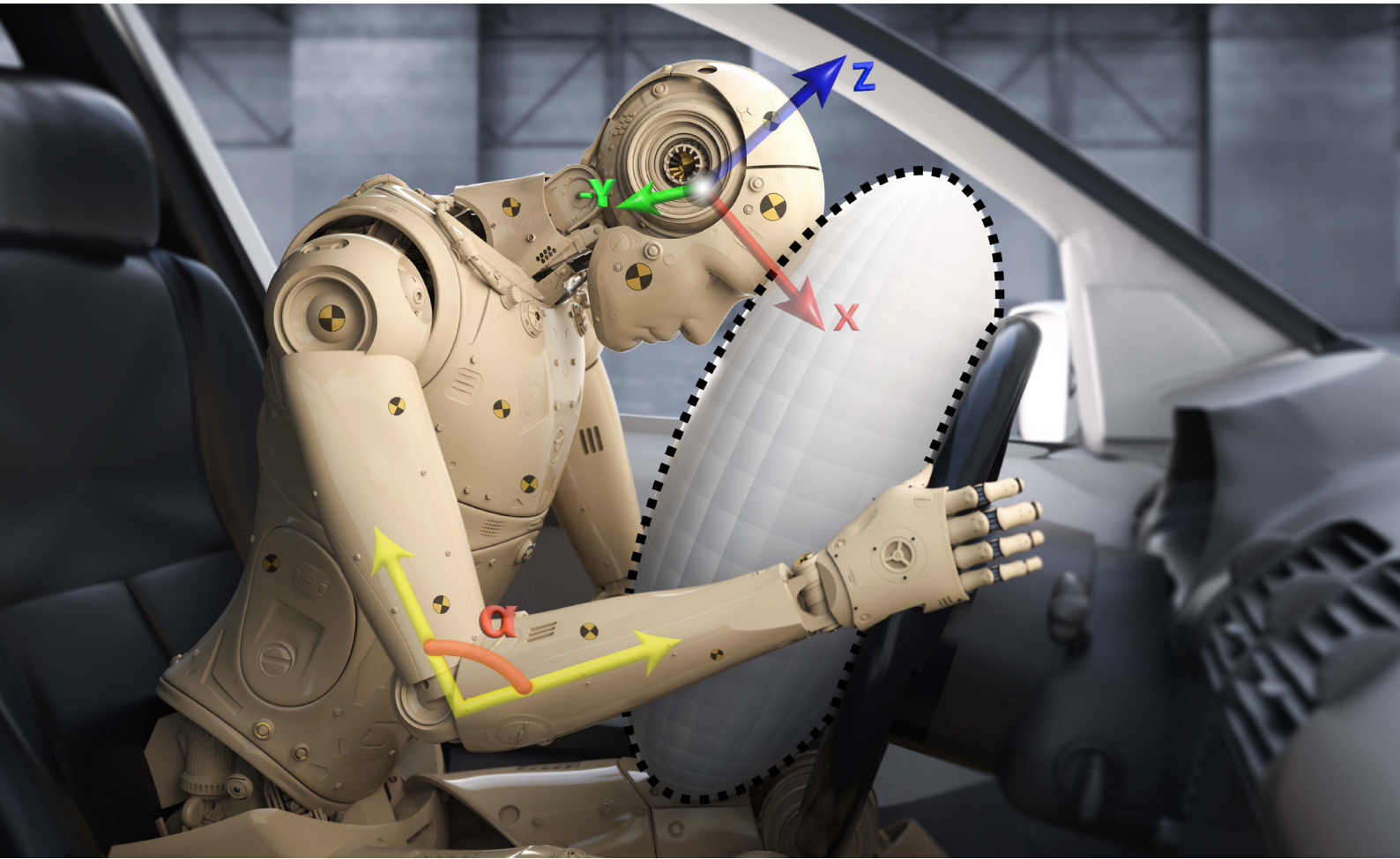
“It is very open and result-oriented. The communication is highly collaborative. We can tell by the short turnaround time for responses. In addition, they are considerate and often ask if we have thought about different things that might cause problems. They also help us with service and maintenance of our systems, which is part of our requirement specification. We have to update our systems from time to time and in connection with this our personnel also gain some new knowledge.”



Peter Rockedahl
CTO at Moelven Timber



MOTION ANALYSIS



MOTION ANALYSIS - HIGH MEASUREMENT PRECISION

Motion Analysis delivers the world's best tool for measuring motion in film. The software is currently used in hundreds of applications where our customers require high flexibility and the world's best accuracy.

The Company offers advanced solutions for non-contact measurement, primarily using images as information carriers. By combining advanced measurement technology solutions with comprehensive service and support, we build long-term relationships with our customers.

The main measurement applications are based on the measurement of high-speed events. These events are filmed with special high-speed cameras to see the course of events in slow-motion. Our customers often want to calculate how different objects behave in a short film sequence that may contain thousands or millions of frames. Examples of what our software products provide the customer can be an automated velocity or acceleration calculation of an object in a film. This type of application is used in various areas, especially in testing and trials of defense-related materials, car crash tests, or in advanced research at colleges and universities.

Motion Analysis has expanded its offering in recent years by entering a new application area, Digital Image Correlation (DIC). DIC is a mea-

surement method used to calculate strength or surface tension of materials without contact. This means that the customer films their measurement object, and the Motion Analysis software delivers a result with an accuracy of more than one-hundredth of a pixel in the image.

Motion Analysis has been in the motion analysis market for testing and measurement for almost 40 years and today dominates the global market. The customer base is mainly in industries such as car companies, defense organizations, universities, and MedTech companies.

The head office of Motion Analysis is located in Sweden and houses the research and development team with expertise in photogrammetric calculation, image processing, hardware, integration and assembly, product development, and design. The global market in which Image Systems operates is supported by the Company's sales and service centers located globally in strategic and key countries such as Sweden (HQ), France, China, the US, and Israel. Other locations are supported by experienced partners.

“ We have been driving the high-speed film analysis market forward for decades. Now we are pushing even harder and will soon launch our new platform, the TEMA platform, which I hope will once again revolutionize the way we measure in high-speed film.

”

Ohad Zangi, Managing Director Motion Analysis



OFFERING

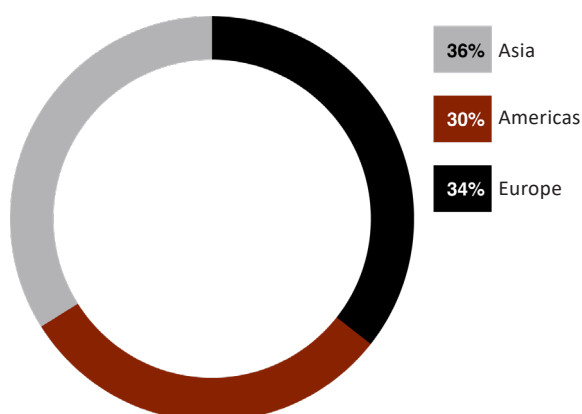
Motion Analysis offers its customers software to analyze high-speed film. The software is sold under the product names TEMA and TrackEye, where TEMA has most of its customers within the civil sector and TrackEye within defense-related testing or the aerospace industry. The software is traditionally sold as a lifetime license, with customers being able to upgrade to the latest version annually. The Company is currently undergoing a transition of the business model with the aim of switching to subscription-based sales.

The Company also offers turnkey measurement systems for specific purposes, where the offering, in addition to the software, includes sensors such as industrial cameras or high-speed cameras and computers.

SALES CHANNELS

Motion Analysis sells its software directly to end customers in the markets where we have established our own sales and service offices or together with distributors in other geographic markets. With the transition to a subscription offering, the Company sees that a larger share of sales will be made through online platforms in the future. The Company currently has its own sales offices in Sweden, France, Israel, China, and the US.

MOTION ANALYSIS REVENUE 2022 MSEK 38.3



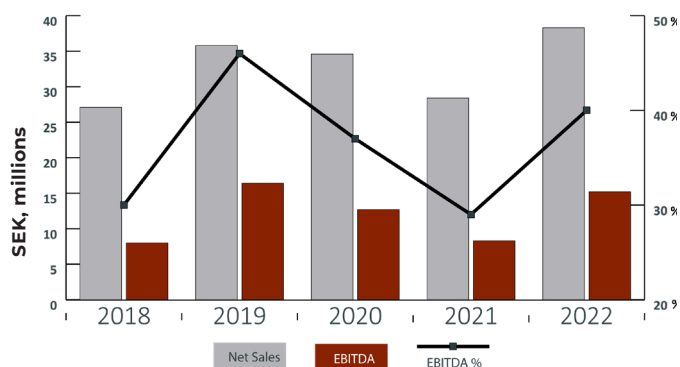
TECHNOLOGY

The core competence of Motion Analysis is software development and implementation of mathematical algorithms in image streams. The foundation of the Company's success is our ability to manage and transform pixel data in images into automated and highly accurate results.

RESEARCH AND DEVELOPMENT

The Company has, in recent years, invested in a new product platform where, in addition to modernizing and refining the product experience for our customers, we are also preparing the possibility of integrating TEMA and TrackEye with other measurement technology products or integrating third-party software. A driving factor for our development is to facilitate the software's online functionality in the future.

MOTION ANALYSIS REVENUE AND PERFORMANCE 2018-2022

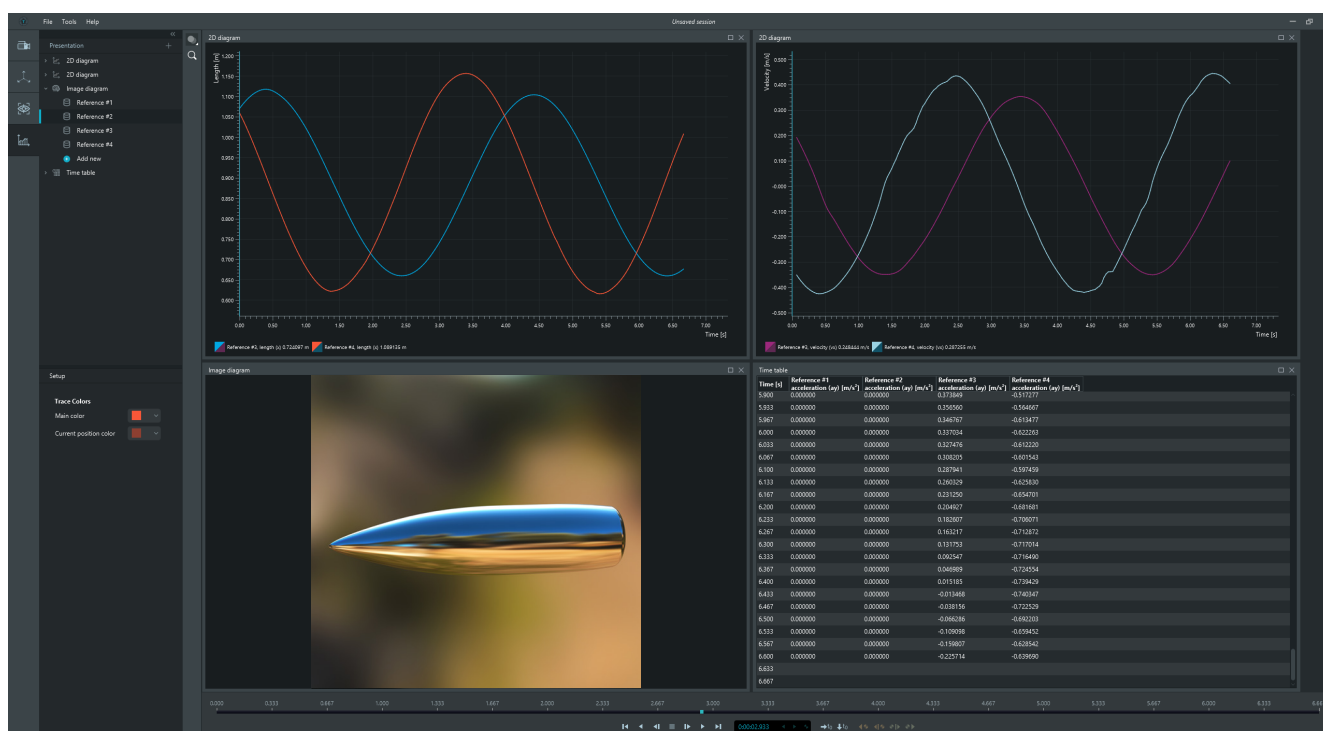


MOTION ANALYSIS

MEASURING AND ANALYZING MOVEMENTS - A NEW PLATFORM FOR THE FUTURE



Since the 1980s, Motion Analysis has operated in a sector that automates the calculation of motion in films. It involves tracking individual pixels in an image sequence and calculating how the objects they represent move in space over time. Our specialty is developing the most accurate algorithms in the world adapted to measure in high-speed film. High-speed film is used to study very rapid processes.



The first to study the motion of projectiles is said to have been Tartaglia, who concluded in the 16th century that the maximal range, in theory, is obtained if the firing angle is about 45°. The TEMA platform has comprehensive tools to calculate ballistic data, rotation, velocity, and acceleration. This is used when testing, for example, ammunition.

Motion Analysis has two primary products, TrackEye and TEMA, aimed at military and civilian applications, respectively. The Company has for some years been developing a future platform (TEMA platform) to replace these existing products. This development is done for several purposes, such as modernizing and simplifying the user interface, enabling the integration of third-party products, and carving out parts of the platform to be sold as plug-ins in other software.

tema
TRACKEYE MOTION ANALYSIS

MOTION ANALYSIS

"If you want to tackle a similar problem with optical measurement methods, the **TEMA DIC Elite System** is an excellent tool that can significantly simplify the process."

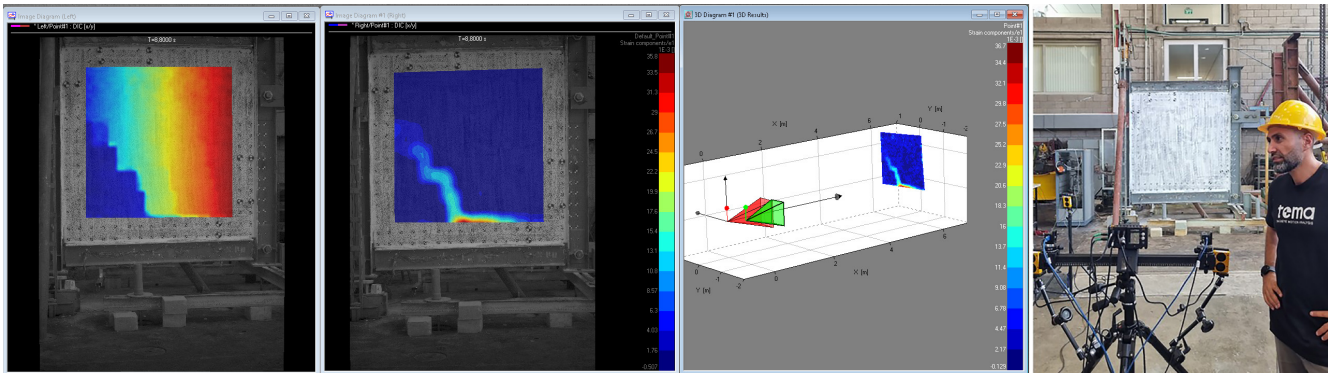
HEZI GRISARO **Hezi Grizaro** is an Assistant Professor of Structural Engineering at the Technion Institute of Technology in Haifa, Israel. Here he explains how he and his colleagues use TEMA software from Motion Analysis to measure and analyze the response of a reinforced concrete structure in strain and deflection.

**TECHNION INSTITUTE OF TECHNOLOGY
DEPARTMENT OF CIVIL AND ENVIRONMENTAL
ENGINEERING**

HAIFA, ISRAEL



Digital Image Correlation (DIC) is a technique that uses digital images to measure movement and deformation in an object. By using multiple images of the object, the DIC software can calculate the deformations and movements that have occurred. It is a useful technique to study material deterioration, deformation of structures, and dynamic processes. DIC is increasingly used in research and industries such as the defense industry to study and improve the performance and durability of materials and components.



WHAT DO YOU DO AT YOUR WORKPLACE?

I work at the Faculty of Civil Engineering and Environment, where we conduct material tests on building materials such as reinforced concrete. In addition, we perform tests to assess the structural stiffness of buildings, walls, bridges, and other applications in the construction area.

WHEN DO YOU USE IMAGE SYSTEMS PRODUCTS?

In many of the research projects we conduct, accurate measurements are crucial for the tests we perform. We use a variety of methods to measure force, deformation, and strain, and an optical measuring tool complements these test methods perfectly. To analyze the behavior of structures made of reinforced concrete under complex loads and boundary conditions, we purchased the TEMA DIC Elite 3D system from Image Systems, Motion Analysis. We needed to measure strain and deflection in particular, which required a system that could collect and analyze data from both our optical and physical sensors. This is where the TEMA DIC Data Acquisition Unit came in handy. Unlike our previous contact-based measurement methods, we found that using an image-based technique offered several advantages regarding test preparations, test costs, and virtually unlimited spatial resolution in the measurement area. Physical sensors are limited to specific locations on the measured object, while an image-based technique can capture data from almost any point on the object.

WHAT IS THE BENEFIT TO YOUR WORK?

Analyzing the response of a reinforced concrete structure can be a complex task that requires extensive data. In the past, we had to install hundreds of different sensors, such as LVDTs and strain gauges, on a three-by-three-meter-long wall. This was very time-consuming and still gave only sparse measurement results. However, an optics-based measurement system makes this task much easier and generates larger amounts of data. If you want to tackle a similar problem with optical measurement methods, the TEMA DIC Elite System is an excellent tool that can significantly simplify the process.



OUR EMPLOYEES

A company is nothing more than its employees. To strengthen the future competitiveness of Image Systems, we must remain at the forefront of technology. Our employees, through their skills, drive, and commitment, create the conditions for our Group to continue its growth and profitability in the future.

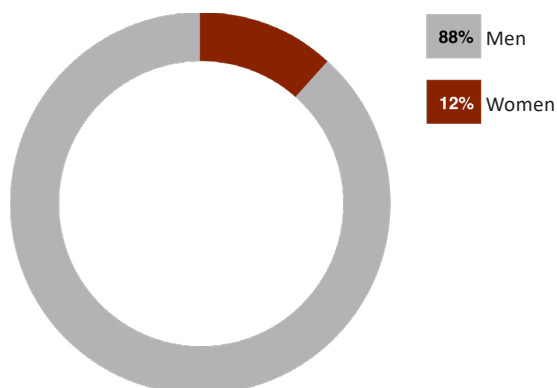
Image Systems currently has a total of about 70 employees, around 50 in RemaSawco and 20 in Motion Analysis. Our business units are strongly engineer-driven and operate in markets requiring a high level of technical knowledge and an understanding of our customers' challenges.

We work to ensure that every employee can have a career within the Group that strengthens both the individual and the competitiveness of the Company. One way we do this is by continuously developing our employees individually and in groups. An equally important part of creating competitiveness, now and in the future, is that we offer a sustainable working environment. Each employee should also have clear expectations about the targets to be met. We believe that responsibility in what is small leads to success in what is big.

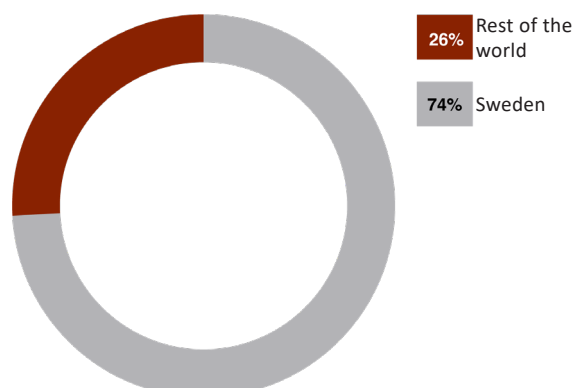
At Image Systems, we believe that a diverse workplace increases creativity and fosters innovation, which leads to development and a successful company. We believe this, together with an inclusive culture where everyone feels welcome, results in increased employee engagement, well-being, and performance.

EMPLOYEES

PROPORTION OF WOMEN AND MEN



EMPLOYEES BY COUNTRY



JESSICA BILLSTRÖM

Support & Service Manager - RemaSawco



Who are you and what did you do before joining RemaSawco?

I live with my husband and two sons in a house south of Linköping. I started my career at Verisure, where I developed considerably both as a person and leader, moving from alarm operator to department manager. I am proud of that journey; it has really shaped me and my leadership style. We did a great deal of work on customer satisfaction, and I have brought many of those lessons with me here to develop the Company in the customer satisfaction area.

You have not been working at RemaSawco for very long. How do you think your first six months have been?

They have passed very quickly and it has been a very enjoyable journey. I really appreciate my new colleagues, and I felt welcome from the first day when I received a warm reception. There are plenty of new details to learn, and I think I still have some more left (laughter). I have the experts in my team, though, so it feels good that I can rely on them and focus on other things. The journey thus far has been fantastic, and I am challenged both as a person and a leader every day, which I really appreciate.

Your role as Support & Service Manager is new at the Company. Can you tell us more about it?

We are now investing significantly in service and support to get even more satisfied customers. In addition, we are introducing a new business model with long-term support agreements to better dimension our support resources and thus ensure the availability of our customers' production. It will be a big improvement for our customers, but it is important that we can communicate it properly. My role also includes responsibility for production and commissioning at the customer's premises. All of this requires new approaches and tools, and has been a strong reason for time passing so quickly. It has been hugely enjoyable and exciting to be involved in setting this up from scratch, and we have also coordinated how we work in our different countries. It has really strengthened the sense of teamwork and community to start working more together across borders.

What would you like to say to those applying for a job at the Company?

To work with us, you need to like technology, be flexible, enjoy challenges, and be receptive to rapid change. You also need to be a real team player and like people as we work closely between departments and depend on each other's support and help. The Company is relatively small, so you have to be prepared to step in wherever necessary. Showing initiative is a must, and we expect everyone to take personal responsibility.

What future do you see for RemaSawco?

I think the future looks very bright. We have a strong and committed management team that really drives the Company forward in a good way and ensures that we remain relevant in a future, even more digital market, which is incredibly important. Then we have the fantastic employees who help turn ideas into reality. Moreover, we have a fascinating and forward-looking product portfolio, and I look forward to being involved in the Company's future development. To sum up, I really feel that we have a bright future ahead of us.

FREDRIK RUDBECK

Team Leader, TEMA Platform - Motion Analysis



What do you do at Image Systems and how long have you worked here?

I began as a developer at Image Systems 6 years ago, when the new platform was still in its infancy. There was a trial version of a very simple video player, but really not much more. Since then, both the new platform and I personally have evolved considerably. I started this year as team leader for the technical development of the new platform.

How would you describe a typical day at work?

The new role has meant that the days are more varied than before. I still spend time as a developer, helping to design, build, and test new features. As a team leader, I also spend a lot of time facilitating the development of the rest of the team. It is a balancing act between achieving the Company's goals, meeting the requirements set by product management, meeting the needs of the test team, and, at the same time, ensuring quality and accuracy from the development team. The goal is to ensure that we can ultimately deliver a well-functioning system that will also be able to continue to evolve in the future.

What are the benefits of Image Systems from your perspective?

The opportunity to do so many different things within software development at the same time: incredible algorithms, complicated system development, and beautiful user interfaces. It is not unusual to be involved in the entire journey, from the research and development of a prototype to the implementation of a complete solution.

What technologies do you mainly use in your job, and how do you ensure that you further develop your skills?

Java and the surrounding ecosystem. I regularly attend conferences and read books on software development. I also keep my web browser home page set to a website related to Java news. It is a tip if you want to stay informed about any topic – you get little but regular exposure!

You work a lot with the new platform. What difference do you think it will make in the future for the Company?

The aim has been right from the start to develop a system that is stable, well-designed, well-documented, and well-tested. This brings many benefits in the future. Firstly, it makes it easier to add new features to the system. It will go faster and there will be less risk of anything breaking when new features are developed. Secondly, the system will be easier to maintain, adapt and change when it – inevitably – needs to change in the future. Thirdly, it will be easier to introduce new employees to the system and they will be able to contribute sooner.

SUSTAINABILITY WORK



In order to provide security for customers, shareholders, employees, and other stakeholders, it is important for Image Systems to weave sustainability aspects into our operations. With our offering of products and services in high-resolution image processing and non-contact measurement technology, we are positively impacting society.

THE UN GLOBAL SUSTAINABLE DEVELOPMENT GOALS ARE THE WORLD'S COMMON 2030 AGENDA

The Company supports the UN Global Sustainable Development Goals. We have selected three areas where we think we can make the most impact. These are linked to Equality, Sustainable Industry, and Decent Working Conditions. Several topics, such as gender equality and the fight against corruption, are common to all companies. Besides these basic responsibilities, we focus on the goals where our business activities have the greatest potential for impact. Collaboration is the key to new knowledge, capacity-building, and a broader understanding for the realization of sustainable business.

The Global Goals, introduced in 2015, reinforce this direction. Initiatives such as the Global Goals contribute to new knowledge, and regulatory and technological developments, which ultimately lead to changes in market demand. Below we present how we develop our business and operations to make a difference.

RESPONSIBILITY FOR EMPLOYEES AND CUSTOMERS

The most important resource of Image Systems is our employees, and we want to create a corporate culture that promotes innovation, participation, and cohesion. We strive to be an interesting and attractive employer so that our employees are happy and want to stay and grow with us, while we also want to attract the best talent. We continuously monitor the well-being and work situation of our employees.

The Image Systems Group's business offering is innovative non-contact measurement systems for various applications. Our two business units target completely different customer segments. However, all our customers are looking for more accurate and precise measurement results, whether to optimize the utilization of a log to the maximum number of boards or to maximize the safety of new vehicles through crash test measurements. We strive to be at the forefront of technology, offering our customers the most cost-effective and reliable measurement system on the market and providing long-term and future-proof solutions.

Image Systems' non-contact measurement technology strengthens our customers' sustainability efforts and allows them to ensure quality and certification of their products in a resource-efficient way. RemaSawco offers its customers optimization and strength certifications that reduce wood product waste. Motion Analysis offers tools for non-contact testing of the properties of different materials without affecting the test material. We can offer plenty of new optimization opportunities through data from different measurement points analyzed and processed in our softwares.

Customer satisfaction is also a central issue in Image Systems' operations. We want to build strong and long-term relations with our customers where all employees of our Company are involved, such as sellers, technicians, and developers, as well as aftermarket and service. By acting responsibly in all relations and assignments, we see ourselves as a responsible business partner. The Group companies conduct regular customer satisfaction surveys annually.

FINANCIAL AND ENVIRONMENTAL RESPONSIBILITY

In order for the Company to develop properly, Image Systems has several profitability goals. To achieve these, we need to make optimal use of our resources. Image Systems has a well-developed financial follow-up and planning to be able to monitor goal fulfillment.

The direct environmental impact of the Company is relatively small and mainly includes business travel, company cars, heating and cooling of the Company's office premises, and the purchase of office equipment. Telephone and video conferences are widely used to reduce traveling. For product development, Image Systems mainly uses computers and various measuring instruments, which have a relatively short lifespan. End-of-life products are returned for recycling.

THREE SELECTED SUSTAINABILITY AREAS

Image Systems strives to be environmentally responsible, and the UN Sustainable Development Goals guide us as a basis for setting environmental targets in our operations. In 2020, the Company identified several measurable targets to be able to monitor its environmental impact in the future continuously. In 2021, a Group-wide Code of Conduct was implemented to further strengthen the work on legal and regulatory compliance.

5 GENDER
EQUALITY



ACHIEVING GENDER EQUALITY AND EMPOWERING WOMEN AND GIRLS

Image Systems is actively working to attract and recruit more employees. We promote the UN's gender equality goals in recruitment. As an employer, we should promote equal opportunities and equal treatment for our employees. Discrimination on the basis of gender and other discrimination is never acceptable, and Image Systems places great emphasis on ensuring that there is no discrimination in employment, setting wages, career development, dismissal, or retirement. A long-term goal for Image Systems is an even gender distribution in the Company.

8 DECENT WORK AND
ECONOMIC GROWTH



PROMOTING LONG-TERM, INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, FULL AND PRODUCTIVE EMPLOYMENT WITH DECENT WORKING CONDITIONS FOR ALL

Image Systems works with a large number of customers around the world to meet their needs and strengthen their position to become more competitive. In this way, we seek to contribute to sustained economic growth as set out in UN Goal 8. With our technical solutions, we want to promote a safe and secure working environment for our customers and our own employees. We should be a stable and responsible employer offering good working conditions and development opportunities.

9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



BUILDING RESILIENT INFRASTRUCTURE, PROMOTING INCLUSIVE AND SUSTAINABLE INDUSTRIALIZATION, AND FOSTERING INNOVATION

Image Systems aims to be an organization at the forefront of technology and act partly as a benchmark for the digitalization of the sawmill industry and partly to remain the de facto standard for measurement and analysis of rapid events such as car crash, missile, and aircraft tests. For us, the precise non-contact measurement systems and our digital solutions are a step toward more resource-efficient and sustainable industries. One area where we think we have an important sustainability role is the sawmill industry. Wood products are a sustainable building material, and demand in the construction industry is growing. Through the measurement technology of Image Systems and the optimization of timber use, wood materials are produced with less waste and higher quality. Motion Analysis contributes to this goal in various ways, including playing an important role in testing roadworthy and crashworthy vehicles.

SHARE AND OWNERSHIP STRUCTURE

Image Systems is listed on Nasdaq Stockholm, Small Cap, since 1999 under the ticker IS.

OWNERSHIP STRUCTURE

Ownership in Image Systems, according to Euroclear's register as of December 30, 2022, is shown in the table below. The ten largest shareholders held 76 percent of the shares. The total number of shareholders amounts to 4,509.

Shareholders	Number of shares	Percentage of votes and capital, %
Tibia Konsult	28,538,181	32.0
Thomas Wernhoff	14,000,000	15.7
Hans Malm	7,551,340	8.5
LMK Forward	5,544,610	6.2
Avanza pension	4,690,964	5.3
Dnb Luxembuorg	1,800,000	2.0
Gunvald Berger	1,637,230	1.8
Per Anders Thorsell	1,568,622	1.8
Anders Fransson	1,523,938	1.7
Hans Olsson	1,131,614	1.3
Others	21,221,319	23.8
Total	89,207,818	100.0

As far as the Board of Directors of Image Systems is aware, there are no shareholder or other agreements and equivalent agreements between any of the Company's shareholders aimed at joint influence over the Company, or that may lead to a change of control over the Company.

SUBSCRIPTION WARRANTS

The 2021 Annual General Meeting resolved on an incentive program consisting of 2,000,000 warrants expiring on August 31, 2024, with an exercise price of SEK 2.0. Upon full utilization, the Company's share capital will increase by SEK 210,000.00 and equity by MSEK 4.0.

DIVIDEND POLICY

According to the dividend policy formulated by the Board of Directors, the size of future dividends should take into account Image System's long-term growth and profit performance, as well as capital requirements with regard to financial targets. The Board's long-term objective is to propose to the Annual General Meeting to distribute approximately 20 percent of Image Systems' profit after tax. The Company has so far not paid any dividends to its shareholders.

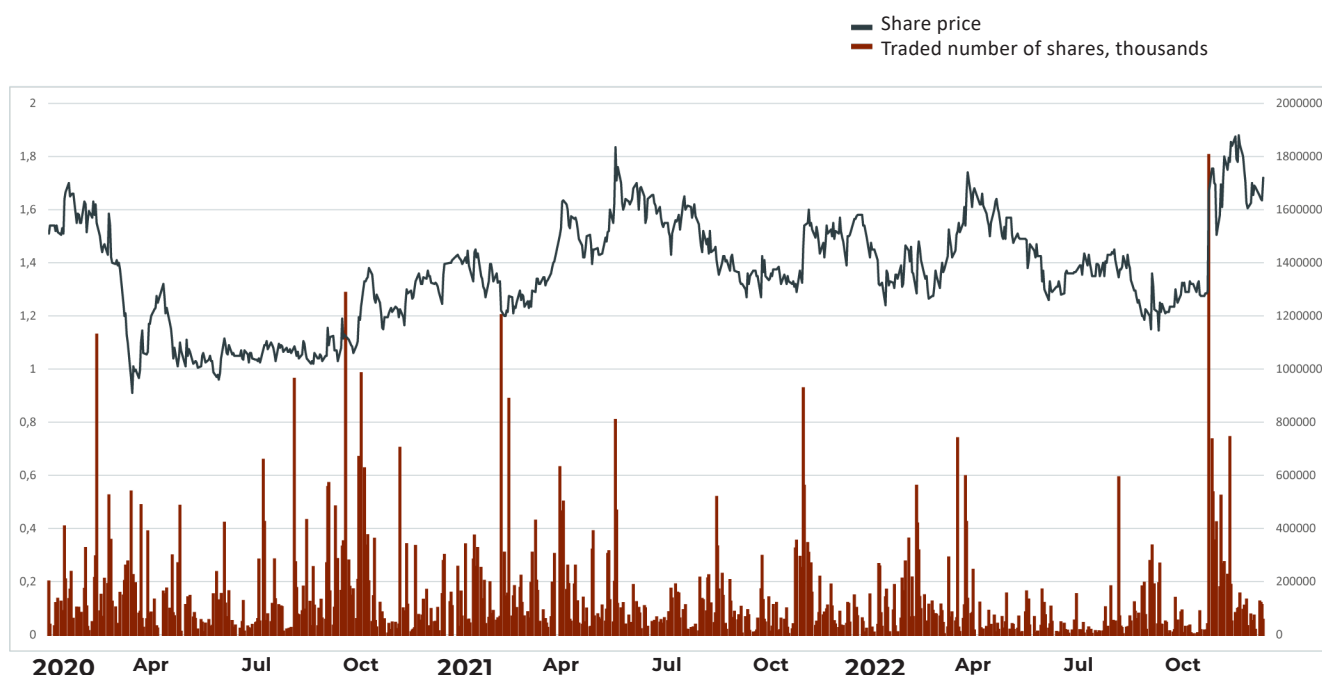
TRADING IN THE IMAGE SYSTEMS SHARE

The Image Systems share has been traded on the stock market since April 28, 1999. The share is listed on NASDAQ Stockholm in the Small Cap segment and the Technology sector. The Company's ticker is IS. The closing price on December 30, 2022 was SEK 1.72, corresponding to a market capitalization of approximately MSEK 153.4. In total, approximately 24.8 million shares were traded during the twelve-month period January 1-December 31, 2022, corresponding to an average turnover per trading day of approximately 98,166 shares. The lowest price paid during the 12-month period was SEK 1.15 on September 29, 2022 and the highest price paid was SEK 1.99 on April 6, 2022.

SHARE PRICE PERFORMANCE

The graph below shows the share price performance until December 31, 2022. The curve shows the share price and the bars the number of shares traded per day.

SHARE PERFORMANCE AND TRADING VOLUME 2020-2022



SHARE CAPITAL

The share capital as of 2022-12-31 in Image Systems amounts to SEK 8,920,781.80, divided into 89,207,818 shares with a quota value of SEK 0.10 per share. According to Image Systems' Articles of Association, the share capital shall amount to a minimum of SEK 8,500,000 and a maximum of SEK 34,000,000. The number of shares shall be not less than 85.0 million and not more than 340.0 million.

All issued shares are fully paid up and carry equal rights to the Company's assets and profits, and entitle the holder to one vote. In the case of a liquidation of the Company, shareholders are entitled to a share of the surplus in proportion to the number of shares they hold.

The shares in Image Systems have been issued under Swedish law and are denominated in Swedish kronor (SEK). The shares are registered in electronic form and are accounted for by Euroclear Sweden AB according to the reconciliation provision in the Articles of Association. Share certificates are not issued. There are no restrictions on the transferability of the shares. The Company's share is neither subject to an offering made as a result of a mandatory bid, redemption right, or redemption obligation.

SHARE CAPITAL PERFORMANCE

The share capital and the number of shares have changed since 2009 as shown below:

Year	Transaction	Change in shares	Total number of shares	Quota value SEK	Change in share capital SEK	Total share capital SEK
2009	New share issue	220,553,208	261,308,263	0.10	22,053,320.80	26,130,826.00
2009	Conversion of convertibles	1,885,092	263,193,355	0.10	185,509.20	26,319,335.50
2009	Exercise of subscription warrant	2,618,201	265,811,556	0.10	261,820.10	26,581,155.60
2010	New share issue	354,415,408	620,226,964	0.10	35,441,540.80	62,022,694.40
2010	Directed issue	27,495,640	647,722,604	0.10	2,749,564.00	64,772,260.40
2011	Offset	396	647,723,000	0.10	39.60	64,772,300.00
2011	Reverse share split 1:100	-641,245,770	6,477,230	10.00	0.00	64,772,300.00
2011	Reduction in share capital	0	6,477,230	2.50	-48,579,225.00	16,193,075.00
2011	New share issue	21,590,766	28,067,996	2.50	53,976,915.00	70,169,990.00
2011	Set-off issue	4,856,386	32,924,382	2.50	12,140,965.00	82,310,955.00
2011	Issue in kind	6,519,566	39,443,948	2.50	16,298,915.00	98,609,870.00
2011	Reduction in share capital	0	39,443,948	0.25	88,748,883.00	9,860,987.00
2012	New share issue	118,331,844	157,775,792	0.25	29,582,961.00	39,443,948.00
2012	Issue in kind	18,679,245	176,455,037	0.25	4,669,811.25	44,113,759.25
2013	Reduction in share capital	0	176,455,037	0.10	-26,468,255.55	17,645,503.70
2013	Reduction in share capital	0	176,455,037	0.08	-3,529,100.74	14,116,402.96
2013	New share issue	705,820,148	882,275,185	0.05	28,232,805.92	42,349,208.88
2013	Reduction in share capital	0	882,275,185	0.04	-7,058,201.48	35,291,007.40
2014	New share issue	15	882,275,200	0.04	0.60	35,291,008.00
2014	Reverse share split 1:100	-873,452,448	8,822,752	4.00	0.00	35,291,008.00
2015	Reduction in share capital	0	8,822,752	0.10	-34,408,732.80	882,275.20
2015	New share issue	29,409,170	38,231,922	0.10	2,940,917.00	3,823,192.20
2018	New share issue	50,975,896	89,207,818	0.10	5,097,586.60	8,920,781.80

CORPORATE GOVERNANCE REPORT



CORPORATE GOVERNANCE

Image Systems AB is a public limited liability company and is governed by Swedish law, primarily the Swedish Companies Act and the NASDAQ Stockholm AB's Rulebook for Issuers. In addition, account is taken of the self-regulation by the Swedish business community, where the Swedish Corporate Governance Board has drawn up the Swedish Code of Corporate Governance (the Code). Apart from legislation and self-regulatory recommendations and rules, the basis for the governance of the Company's operations are the Articles of Association. The Articles of Association state where the Board of Directors is headquartered, the Company's business direction, rules regarding the general meeting, information on the class of shares and share capital, etc. Image Systems' Articles of Association are available on the Company website, www.imagesystemsgroup.se. Image Systems applies the Code and reports no deviations from the Code in 2022. The Corporate Governance Report has been reviewed by the Company's auditors.

SHAREHOLDERS

Image Systems has been listed on Nasdaq Stockholm since 1999. At the end of 2022, the number of shareholders in Image Systems amounted to 4,509. The ten largest shareholders accounted for around 76 per cent of the votes and capital. A table of the ten largest owners of the share capital and further information on the share performance in 2022 can be found on pages 22 and 23 of the Annual Report.

GENERAL MEETING

The general meeting is the highest governing body of Image Systems and is convened in Linköping or Stockholm once a year before the end of June. Notice of an Annual General Meeting shall be published not earlier than six weeks and not later than four weeks before the meeting, and of an Extraordinary General Meeting not earlier than six weeks and not later than three weeks before the meeting. Notice shall always be published in Post- och Inrikes Tidningar and on the Company's website. An announcement that notice has been provided shall be made in Dagens Nyheter. All necessary documents for the meeting are available on the website.

Shareholders who wish to have a matter addressed at an Annual General Meeting must submit a written request to the Board of Directors in sufficient time for the matter to be included in the notice of the

meeting. The Company's Articles of Association contain no restrictions on the number of votes each shareholder can cast at the general meeting. All shareholders registered in Euroclear Sweden's shareholder register who have notified the Company of their participation in time are entitled to participate in the meeting and vote for their total holding of shares. A shareholder's assistant may attend the meeting if the shareholder so requests.

ANNUAL GENERAL MEETING 2022

The 2022 Annual General Meeting for the financial year 2021 was held on May 5, 2022. The AGM was conducted by postal voting under regulations in force at the time. Postal votes from shareholders representing a total of 56.3% of the votes and capital were received at the AGM. Minutes were available on the website on May 9, 2022. The 2022 AGM decided, among other things, on the following:

- Profit and loss accounts and balance sheets of the Company and the Group were adopted.
- No dividend was paid for the past financial year. The retained earnings of MSEK 130.7 were carried forward.
- The Board of Directors and the Chief Executive Officer were discharged from liability.
- The AGM resolved in accordance with the Nomination Committee's proposal that the Board shall consist of five (5) Directors without deputies for the period until the end of the next AGM.
- The AGM decided that remuneration of SEK 195,000 shall be paid to the Chairman of the Board and SEK 130,000 to each of the other Directors elected by the meeting. The Chairman of the Audit and Remuneration Committee also receives a special remuneration of SEK 65,000. The meeting decided that the auditor's remuneration shall be paid in accordance with the approved invoice.
- The AGM decided to re-elect the Directors Anders Fransson (Chairman), Catharina Lagerstam, and Annika Ölme, and to elect Jan Molin and Matilda Wernhoff.

- The AGM decided to appoint the accounting firm PricewaterhouseCoopers as auditor, with authorized auditor Nicklas Kullberg as auditor-in-charge.
- The AGM resolved on an issue authorization in accordance with the Board's proposal.
- The AGM decided to amend the Articles of Association regarding the name and communication channel.

EXTRAORDINARY GENERAL MEETING 2022

An Extraordinary General Meeting 2022 was held on June 1, 2022. The EGM was conducted through postal voting under regulations in force at the time. Postal votes from shareholders representing a total of 0.1% of the votes and capital were received at the EGM.

Minutes were available on the website on June 9, 2022. The 2022 EGM decided on the following:

- New election of Director Jörgen Hermansson.

NOMINATION COMMITTEE

The 2022 Annual General Meeting decided that the Chairman of the Board is tasked with appointing a Nomination Committee in consultation with the Company's larger shareholders for the 2023 AGM. The Nomination Committee shall consist of the Chairman of the Board and two Directors appointed by each of the two largest shareholders in terms of votes, as shown in the share register maintained by Euroclear Sweden AB as of September 30, 2022.

If any of the shareholders waive the right to appoint a representative, the next largest shareholder in terms of votes shall appoint a representative. The majority of the Nomination Committee Directors shall be independent of the Company and its management.

The Nomination Committee appoints a chairman from among its Directors. The Chairman of the Board may not chair the Nomination Committee. The Nomination Committee's term of office extends until a new Nomination Committee has been appointed. Where an already appointed Director resigns from the Nomination Committee, the shareholder who appointed the resigning Director shall appoint a replacement. The Nomination Committee receives no remuneration from the Company but is entitled to receive reasonable compensation from the Company for expenses incurred in relation to evaluation and recruitment.

The composition of the Nomination Committee was announced on Image Systems' website and published on October 31, 2022. The Nomination Committee consists of Hans Karlsson (Chairman) representing Tibia Konsult AB, Thomas Wernhoff (own holding), and Hans Malm (own holding).

THE WORK OF THE NOMINATION COMMITTEE

The Nomination Committee's tasks include:

- Evaluating the composition and work of the Board.
- Preparing proposals to the Annual General Meeting for election of the Board of Directors and Chairman.
- In collaboration with the Company's Audit Committee, preparing proposals for the AGM regarding the election of auditor.
- Preparing proposals for the AGM regarding the remuneration of the Board of Directors, divided between the Chairman and the other Directors, and any remuneration for committee work and the fees of the auditors.
- Preparing proposals to the AGM regarding the Chairman of the AGM.
- Preparing proposals for policies on appointing the next Nomination Committee.

- Performing the assignments that from time to time are incumbent on the Nomination Committee in accordance with the Swedish Code of Corporate Governance.

The Nomination Committee's proposal, report on the Nomination Committee's work for the AGM 2023, and additional information on the proposed Directors shall be presented in the notice to the AGM 2023 and on the Company's website, www.imagesystemsgroup.se.

BOARD OF DIRECTORS

Role of the Board

According to the Swedish Companies Act, the Board of Directors is responsible for the organization of the Company and the management of its affairs. The Board's duties include assessing the Company's financial situation, monitoring its work on an ongoing basis, establishing rules of procedure, appointing a CEO, and specifying the division of tasks.

In addition to what is stated in the Swedish Companies Act, the Board shall develop the Company's strategy and business plan in such a way that the long-term interests of the shareholders are met in the best possible way. The Board should also provide positive support and guidance to management.

The Board of Directors is appointed by the shareholders at the Annual General Meeting with a term of office from the AGM until the end of the next AGM. According to the Articles of Association, the Board of Image Systems shall consist of a minimum of four and a maximum of eight Directors and a maximum of four deputies. All Directors are elected by the shareholders at the AGM for the period until the end of the next AGM. Board decisions are only valid if more than half of the elected Directors agree. The 2022 AGM re-elected Anders Fransson, Catharina Lagerstam, and Annika Ölme. Jan Molin and Matilda Wernhoff were elected to the Board. Anders Fransson was elected Chairman of the Board. No deputies were elected. Jörgen Hermansson was elected to the Board at the Extraordinary General Meeting on June 1.

RULES OF PROCEDURE

The rules of procedure and instructions on the division of tasks between the Board and the CEO are evaluated, updated, and adopted annually. If the Board sets up committees from among its Directors, the Board's rules of procedure shall specify which tasks and decision-making powers the Board has delegated to the committees and how the committees shall report to the Board. The Board shall annually evaluate its own procedures and efficiency. Relevant results have been reported to the Nomination Committee. At least once a year, the Board shall specifically evaluate the performance of the Chief Executive Officer. No member of the Company's management may be present when this matter is discussed.

COMPOSITION OF THE BOARD OF DIRECTORS

Director	New election / resigned	Elected	Nationality	Number of meetings attended	Remuneration, KSEK	Relation to Company	Relation to owners
Anders Fransson, Chairman		2020	Swedish	9/9	195	independent	dependent
Jörgen Hermansson	New election	2022	Swedish	6/9	130	independent	independent
Örjan Johansson	Resigned	2015	Swedish	2/9	130	independent	independent
Catharina Lagerstam		2018	Swedish	9/9	195	independent	independent
Hans Malm	Resigned	2019	Swedish	2/9	130	independent	dependent
Jan Molin	New election	2022	Swedish	6/9	130	independent	independent
Matilda Wernhoff	New election	2022	Swedish	6/9	130	independent	independent
Thomas Wernhoff	Resigned	2012	Swedish	2/9	130	independent	dependent
Annika Ölme		2019	Swedish	8/9	130	independent	independent

The Board has six ordinary meetings and one statutory meeting per year. The ordinary meetings are held in connection with the submission of quarterly or annual financial statements, as well as a meeting on strategic issues and a meeting in connection with budget work. Furthermore, additional Board meetings are held when necessary. Prior to each meeting, the proposed agenda, including documentation, is sent to all Directors.

In 2022, six ordinary meetings were held and one statutory meeting in conjunction with the Annual General Meeting. A further special Board meeting was held prior to the convening of the AGM and a second special meeting was held prior to the strategy meeting. All ordinary meetings dealt with strategic matters, the Company's and the Group's financial position and performance, financial reporting and control, personnel and organizational matters, legal matters, and financial market developments. The Company's auditor has attended three of the meetings and presented audit reports. In 2022, all decisions have been unanimous.

CHIEF EXECUTIVE OFFICER

The President and CEO is responsible for the day-to-day management and control of the Group's operations. This includes executing the Group's overall strategy and business management, controlling and compiling financial reporting, allocating financial resources, and being responsible for financing and risk management. The Board's rules of procedure regulate the division of tasks between the Board and the CEO. The Board evaluates the performance of the CEO once a year at a meeting not attended by other members of the Company's management.

AUDIT COMMITTEE

The Board of Directors has decided that the Board as a whole constitutes the Audit Committee, chaired by Catharina Lagerstam. The Audit Committee shall, without prejudice to the Board's responsibilities and tasks in general,

1. monitor the financial reporting of the Company,
2. with regard to financial reporting, monitor the effectiveness of the Company's internal control, internal audit, and risk management,
3. stay informed about the audit of the Annual Report and Consolidated Accounts,
4. review and monitor the impartiality and independence of the auditor, paying particular attention to whether the auditor provides non-audit services to the Company, and
5. assist in the preparation of proposals for the general meeting's decision on the election of auditors.

At least once a year, the Audit Committee meets with the Company's auditor without the presence of the CEO or any other member of management. The Audit Committee met with the Company's auditor four times in 2022. Three of these meetings were attended by the Group's CEO, CFO, and the Chairman of the Audit Committee. One meeting was attended only by the Chairman. The auditor has also presented audit reports to the entire Board on two occasions.

REMUNERATION

The policies for remuneration of the CEO and other senior executives are proposed by the Board of Directors and regulate fixed annual salary, variable remuneration, pension, and other benefits. The Annual General Meeting shall then adopt these policies. The Board of Directors of Image Systems has chosen not to appoint a special Remuneration Committee but considers it appropriate that the entire Board fulfills the tasks of the Remuneration Committee, chaired by Catharina Lagerstam. The Remuneration Committee's assessment of the application of the guidelines for remuneration to senior executives adopted by the AGM is available on the Company's website at least two weeks before the AGM. For a more detailed account of the policies applied for 2022 and the new guidelines proposed for 2023, see the statutory administration report and note 8.

Decisions on remuneration and other terms of employment for the Chief Executive Officer are made by the Board of Directors. Remuneration and other terms of employment for other senior executives are negotiated and agreed upon with the Chief Executive Officer in consultation with the Chair of the Board.

OPTIONS PROGRAM

Warrant program 2021/2024

The 2021 AGM decided to introduce an incentive program consisting of 2,000,000 warrants, where each warrant gives the right to subscribe for one (1) newly issued share at a price of SEK 2.00 no later than August 31, 2024. The subscription price has been set at 10.50 öre per warrant through an independent valuation using the Black & Scholes valuation model for warrants and accepted assumptions concerning, among other things, volatility and risk-free interest during the period June 17, 2020 - July 15, 2021. A total of 1,775,000 warrants have been subscribed by senior executives. Upon full subscription, Image Systems' share capital will increase by SEK 200,000.00, resulting in a dilution of approximately 2.2 percent of shares and votes in relation to the total number of existing shares and votes in the Company. The subscription price and the number of shares each warrant entitles the holder to subscribe for may be subject to recalculation due to a bonus issue, split, rights issue, and similar measures, whereby standard recalculation terms shall apply. There are no warrants, convertibles, or corresponding securities that can lead to additional shares in Image Systems other than what is described above.

AUDITOR

The Annual General Meeting appoints the auditor with the task, on behalf of the shareholders, of auditing the Company's Annual Report and Consolidated Accounts and the administration of the Board of Directors and the Chief Executive Officer. The 2022 AGM elected PricewaterhouseCoopers as the auditor for the period until the 2023 AGM. Nicklas Kullberg is the auditor-in-charge. In addition to his assignment at Image Systems, he is an auditor at Proact IT Group, Soft-ronic, and Enea.

ASSESSING THE NEED FOR INTERNAL AUDIT

Image Systems is a small Group with about 70 employees. Image Systems lacks complex features that are hard to analyze. The need to introduce an internal audit function in Image Systems is therefore to be

considered minor. Against this background, the Board has resolved not to establish an internal audit function.

INTERNAL CONTROL

This work is mainly done through effective and structured Board work and by delegating responsibility to the Chief Executive Officer. The internal control regarding the financial reporting is based on how the business is conducted and how the organization is structured. Powers and responsibilities are documented and have been communicated in documents such as internal guidelines and manuals. This applies, for example, to the division of tasks between the Board of Directors, the Chief Executive Officer, and the other bodies set up by the Board, instructions for the right of attestation, and accounting and reporting instructions. The aim of this is also to reduce the risk of impropriety and undue favoritism to another party at the expense of the Company. In the internal control regarding financial reporting, each individual company is assessed separately.

THE BOARD'S REPORT ON INTERNAL CONTROL

Image Systems AB applies and complies with the requirements for internal governance and control according to Swedish legislation (ABL and ÅRL) and the Swedish Code of Corporate Governance (the Code). This report has been prepared in accordance with the regulations, the Code, and the guidance produced jointly by FAR and the Confederation of Swedish Enterprises. The report is limited to a description of how internal control regarding financial reporting is organized.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The internal governance and control process involves the Board, the Chief Executive Officer, the management team, and other personnel. The process aims to ensure the Group's objective of having effective and efficient processes, to provide reasonable assurance on the reliability of the external financial reporting and that it is prepared in accordance with applicable laws and regulations. The following description of the internal control regarding financial reporting is broken down according to the above-mentioned internal control framework.

RISK ASSESSMENT

Image Systems conducts an annual financial reporting risk assessment to identify and evaluate processes and income statement and balance sheet items with higher risk. The risk assessment is based on a number of criteria, such as materiality, complexity, and risk of fraud. For more information on the Group's risks, see note 3 on pages 49–52.

CONTROL ENVIRONMENT

Image Systems' control environment is based on and governed by the strategy, business plans, and operational objectives approved by the Board of Directors. It also includes Group policies and guidelines in several areas, such as delegating authority from management to personnel.

CONTROL ACTIVITIES

Control activities are performed at different levels in Image Systems. Group management is ultimately responsible for the implementation and execution of controls at both the overall and detailed levels of operations. This is done through ongoing management and control of accounting and financial reporting, which is carried out by the finance functions in the local companies and centrally upon consolidation. Analyses of indicators, capital tied up, forecasts, and budgets are conducted on an ongoing basis. The finance function is organized and staffed based on the need to ensure that the Group maintains high accounting standards and complies with IFRS and other accounting standards.

INFORMATION AND COMMUNICATION

Image Systems' external and internal information and communication in the form of financial reporting and information to the Board and employees is carried out in accordance with external requirements and Image Systems' internal documents and policies. This implies, among other things, that all external and internal information and communication shall be effective, timely, accurate and available to target groups in due time..

INTERNAL INFORMATION

Internal policies and guidelines on financial reporting are available

to the personnel concerned. The documents contain policies and instructions regarding financial reporting, internal control, financial statements, budgets, and forecasts. The Board receives regular feedback on financial reports and profit development, analyses, and comments on outcomes, plans, and forecasts. It also receives feedback from the external auditors when they report on the results of their audits.

EXTERNAL INFORMATION

Ongoing information is communicated to external stakeholders on the Image Systems' website, which contains publications, quarterly reports, and other financial information, press releases, and information about the organization and products.

MONITORING

Image Systems' monitoring of the Group companies includes monthly and quarterly monitoring of performance against budget and forecast. Regular monitoring and reporting of operations are carried out at various levels by the Board of Directors, CEO, and Group management. The reports and opinions of the external auditors are also monitored to improve internal control and minimize the risk of errors in the financial reporting.

Linköping in April 2023

The Board of Directors of Image Systems AB (publ)

AUDITOR'S OPINION ON THE CORPORATE GOVERNANCE REPORT



To the Annual General Meeting of Image Systems AB (publ), reg. no. 556319-4041

ASSIGNMENT AND RESPONSIBILITIES

The Board of Directors is responsible for the Corporate Governance Report for 2022 and for preparing it according to the Swedish Annual Accounts Act.

SCOPE AND ORIENTATION OF THE REVIEW

We have conducted our review in accordance with FAR's recommendation RevR 16 Auditor's Review of the Corporate Governance Report. This means that our review of the Corporate Governance Report has a different focus and a significantly smaller scope than an audit under International Standards on Auditing and generally accepted auditing standards in Sweden. We believe this review provides a sufficient basis for our opinions.

OPINIONS

A Corporate Governance Report has been prepared. Disclosures in accordance with Chapter 6, Section 6, second paragraph 2–6 of the Swedish Annual Accounts Act, and Chapter 7, Section 31, second paragraph of the same act are consistent with the Annual Report and the Consolidated Accounts and are in accordance with the Swedish Annual Accounts Act.

Stockholm, April 7, 2023
PricewaterhouseCoopers AB

Nicklas Kullberg
Authorized Public Accountant



Invoice No.	201102401
Date	24.04.2011
Client name-in:	
Your Name	

Unit	Price	Total
Unit 1000	273.11 €	273.11 €
Unit 1001	273.11 €	273.11 €
	20.00 €	
	51.89 €	
	325.00 €	

BOARD OF DIRECTORS



ANDERS FRANSSON
Chairman of the Board

Born: 1967

Director since: 2020

Education: MSc in Engineering from Lund University of Technology

Other assignments: Senior Investment Manager, Tibia Konsult AB, Board assignments in, among others, CR Competence AB, Invoice Finance AB, Infrsight Labs AB, and ProRenata AB

Previous experience: Chairman of the Board and Director of Invoice Finance AB, Billmate AB, Lime Technologies AB, Grade, Mashie, and Nordic Family Group. Previously active as CEO and business unit manager in growth-oriented software companies such as Bisnode and Lime Technologies.

Independent of Company and management: Yes

Holdings in Image Systems: 1,421,000 shares



CATHARINA LAGERSTAM
Director

Born: 1962

Director since: 2018

Education: MBA, MSc in Engineering, and PhD from Stockholm School of Economics

Other assignments:

Chairman of EMPE Diagnostics, ApiRay Bioscience; Director of ICA Försäkring, Quaestus, Phoenix Biopower

Previous experience: Professional Director in various banking and insurance companies and start-ups. Independent advisor and private investor. Held several leading roles within national and international companies.

Independent of Company and management: Yes

Holdings in Image Systems: -



JAN MOLIN
Director

Born: 1966

Director since: 2022

Education: MSc in Engineering and BSc in Business Administration

Other assignments: Self-employed in Business Development

Previous experience: CEO of Eton Systems and Puregas. Management Consultant and Supply Chain Manager for Sandvik.

Independent of Company and management: Yes

Holdings in Image Systems: 150,000 shares



MATILDA WERNHOFF
Director

Born: 1990

Director since: 2022

Education: BSc from Stockholm School of Economics

Other assignments: Chief Strategy Officer at Almiak Group

Previous experience: Associate at McKinsey & Company

Independent of Company and management: Yes

Holdings in Image Systems: -



ANNIKA ÖLME
Director

Born: 1973

Director since: 2019

Education: MSc in Engineering and MBA

Other assignments: CTO and Senior Vice President, Technology Development, SKF

Previous experience: CTO of Saab's radar business, CEO of Arcam, several leading roles in SKF

Independent of Company and management: Yes

Holdings in Image Systems: -



JÖRGEN HERMANSSON
Director

Born: 1968

Director since: 2022

Education: Civil engineer

Other assignments: Director of Mayr-Melnhof Holz Nordic, Chairman of European Wood

Previous experience: Leading roles such as Senior Vice President of Stora Enso and Södra

Independent of Company and management: Yes

Holdings in Image Systems: 80,000 shares

AUDITOR

The 2022 Annual General Meeting elected PricewaterhouseCoopers as the auditor for the period until the 2023 AGM. Nicklas Kullberg is the auditor-in-charge.

MANAGEMENT



JOHAN FRIBERG
Chief Executive Officer and President

Born: 1974
Employed since: 2011
Education: MSc in Materials Engineering from the Institut National Polytechnique de Lorraine, France
Other assignments: Director of Centagon and Group subsidiaries
Previous experience: CEO of RemaSawco and Motion Analysis, several senior positions within Saab
Holdings in Image Systems:
 19,039 shares and 300,000 warrants 2021/2024



EMILIEN SAINDON
Deputy CEO of Image Systems,
CEO & Business Unit Manager
of RemaSawco

Born: 1976
Employed since: 2021
Education: Civil engineer in Mechanical Engineering at Linköping University
Other assignments: -
Previous experience: CEO of Flexlink Sweden and UK, several leading positions within Saab and Alstom
Holdings in Image Systems:
 200,000 warrants 2021/2024



OHAD ZANGI
Business Unit Manager
Motion Analysis

Born: 1977
Employed since: 2014
Education: MSc in Electronics at the Holon Institute of Technology, Israel
Other assignments: Chairman of ZangiTech, Director of Motion-Tech Ltd
Previous experience: Sales Manager for ATS in high-speed film
Holdings in Image Systems:
 150,000 warrants 2021/2024



LOTTA ÖFVERSTRÖM
Finance Manager

Born: 1974
Employed since: 2011
Education: Economist
Other assignments: -
Previous experience: Group Controller at Nexus Technology AB, Finance Manager at Metrima Energi AB
Holdings in Image Systems:
 10,333 shares and 100,000 warrants 2021/2024



ELIN WASTESSION
HR & Recruitment Manager

Born: 1984
Employed since: 2022
Education: HR from Skövde University
Other assignments: -
Previous experience: HR business partner within Specialfastigheter AB and Toyota Material Handling.
Holdings in Image Systems:-

FIVE-YEAR OVERVIEW, GROUP



[MSEK]	2022	2021	2020	2019	2018
EXTRACTS FROM CONSOLIDATED INCOME STATEMENT					
Sales revenue	171.1	152.2	162.7	206.8	156.1
Capitalized development costs	9.1	6.5	4.5	4.9	4.7
Total revenue	180.2	158.7	167.2	211.7	160.8
Gross profit	123.8	109.7	102.7	123.3	102.1
Operating result before depreciation/amortization EBITDA	28.4	19.4	4.6	12.6	8.4
Operating profit	9.1	0.8	-12.9	-4.4	-1.9
Net profit for the year	8.6	0.1	-18.3	-7.0	5.5
EXTRACTS FROM CONSOLIDATED INCOME STATEMENT					
Assets					
Fixed assets	131.5	139.7	145.5	155.2	141.9
Inventories	13.6	11.9	11.5	10.4	9.9
Trade receivables	20.1	22.1	17.3	44.1	50.3
Other current assets	7.0	15.5	15.2	24.4	12.2
Cash and cash equivalents	22.5	7.1	3.8	3.2	8.2
TOTAL ASSETS	194.7	196.3	193.3	237.3	222.5
Equity and liabilities					
Equity	122.9	114.0	113.8	132.2	138.9
Non-current liabilities and provisions	14.9	21.7	23.1	23.9	18.7
Current interest-bearing liabilities	9.9	9.8	15.2	38.6	22.2
Accounts payable	12.6	16.1	16.3	15.8	17.9
Other current liabilities	34.4	34.7	24.9	26.8	24.8
TOTAL EQUITY AND LIABILITIES	194.7	196.3	193.3	237.3	222.5



KEY FIGURES	2022	2021	2020	2019	2018
Order intake, MSEK	189.0	182.8	135.9	211	163.1
Order backlog, MSEK	81.9	72.0	39.0	64.0	65.8
Cash flow from operating activities, MSEK	31.3	17.6	26.1	5.4	-8.8
Gross margin, %	69	68	61	58	63
EBIDTA margin, %	15.8	12.2	2.8	6.0	5.2
Operating margin, %	5.0	0.5	-7.7	-2.1	-1.2
Profit margin, %	4.4	-0.3	-10.9	-3.3	-2.6
Return on average capital employed, %	4.7	0.4	-8.9	-2.4	-1.4
Return on average equity, %	4.4	0.7	-14.7	-5.1	5.2
Solidity, %	63	58	59	56	62
Debt/equity ratio, times	0.0	0.1	0.2	0.4	0.2
Net debt, MSEK	-3.7	17.8	27.3	51.5	24.3
Net investments in fixed assets, MSEK	9.8	8.1	17.7	15.6	45.9
Depreciation/amortization of fixed assets, MSEK	19.4	18.6	17.5	17.0	10.3
Average number of employees	72	82	90	95	83
Number of shares at the end of the period	89,207,818	89,207,818	89,207,818	89,207,818	89,207,818
Average number of shares	89,207,818	89,207,818	89,207,818	89,207,818	42,479,913
Earnings per share ¹ , SEK	0.10	0.00	-0.21	-0.08	0.13
Cash flow per share ¹ , SEK	0.19	0.09	0.09	-0.11	-1.29
Equity per share ² , SEK	1.38	1.28	1.28	1.48	1.56
Share price at year-end, SEK	1.72	1.58	1.42	1.55	1.39
Dividend per share	-	-	-	-	-

¹Calculated on the basis of average number of shares

²Based on number of shares at end of period

STATUTORY ADMINISTRATION REPORT

The Board of Directors and the Chief Executive Officer of Image Systems AB (publ) reg. no. 556319-4041 hereby submit the Annual Report for the financial year 2022 for the Parent Company and the Group. The profit/loss of the year for the Parent Company and the Group is shown in the following financial statements to be adopted by the Annual General Meeting on May 4, 2023.

THE OPERATIONS

Image Systems is a Swedish high-technology company and a leading supplier of products and services based on its core technology in high-resolution image processing. The Company's offerings are aimed at several different markets and operations are conducted in the two business units RemaSawco and Motion Analysis. The Group consists of the Swedish Parent Company and five wholly-owned subsidiaries.

By the end of 2022, Image Systems had 72 employees at Swedish offices in Linköping, Nyköping, Västerås, and Skellefteå, and also in Finland, Norway, and France.

The share is listed on NASDAQ Stockholm (Small Cap) under the ticker IS. For further information, visit our website at www.imagesystems-group.se.

SIGNIFICANT EVENTS DURING THE YEAR

Market development

RemaSawco

The sawmill market continued to show a good investment climate during the year, and the Company was receiving orders in line with the previous year. During the first half of 2022, the sawmill industry operated under very favorable market conditions with high prices and demand. In the latter part of 2022, market conditions deteriorated, and sawmills did not operate in as favorable conditions as before. RemaSawco implemented a new strategy during the year, focusing on a reduced number of products in order to improve both the scalability of the Company and the level of service to customers. The Company also carried out a reorganization in order to strengthen customer service capabilities and improve project efficiency.

MOTION ANALYSIS

Since travel restrictions in most parts of the world have eased, Motion Analysis has had more opportunities to visit customers during the year, which has had a positive impact on order intake and sales. The market, in which the business unit operates, is growing steadily at around 5 percent annually. Due to the uncertainty of the external environment, customers in the defense sector will, over time, increase their investments in developing various capabilities.

RESEARCH AND DEVELOPMENT

RemaSawco

RemaSawco has made several new releases and upgrades of existing software during the year. We have taken a number of steps in the European collaborative program Basajaun to digitalize the value chain from forest to building.

Motion Analysis

Basic development in Motion Analysis during the year focused on the new software platform that is expected to form the basis of the Company's business in the future. The software includes historical development over 30 years, along with new concepts and modern architecture. When the new platform is launched in its full version, it will be sold as a subscription. A number of customer development projects have been delivered during the year and, at the same time, strengthened the Company's basic offering.

PERFORMANCE AND FINANCIAL POSITION

Group

Revenue

Sales revenue in 2022 amounted to MSEK 171.1 (152.2). The revenue breakdown by geographical area is shown in the table below.

Net revenue by geographical area (MSEK):

	2022	2021
North and South America	12.1	8.0
Europe	146.1	134.8
Asia, Oceania, and Africa	12.9	9.4
TOTAL	171.1	152.2

Gross margin

For 2022, gross profit amounted to MSEK 123.8 (109.7), corresponding to a gross margin of 69 percent (68). Production is mainly outsourced to subcontractors, which provides significant flexibility and the ability to scale operations according to changing sales volumes.

Indirect costs

Other external costs for 2022 amounted to MSEK 26.5 compared to MSEK 21.5 for 2021. This increase is mainly due to the increased use of consultants in both business units. Personnel costs amounted to MSEK 69.7, compared to MSEK 68.8 for 2021. Depreciation/amortization, according to plan, was charged to profit or loss in the amount of MSEK 19.3 (18.6) and mainly relates to depreciation/amortization of consolidated excess value arising from the acquisitions of RemaSawco AB and RemaSawco OY and depreciation/amortization of previously capitalized development costs. Other operating income refers to currency differences.

Operating profit

The operating profit for 2022 amounted to MSEK 9.1 (0.8), an improvement of MSEK 8.3. The Motion Analysis business unit improved its profit margin by just over 10 percentage points.

Net financial items

Net financial items for 2022 amounted to MSEK -1.1 (-1.3).

Net profit for the year

Profit after tax for the year amounted to MSEK 8.6 (0.1), an improvement of MSEK 8.5 compared with the previous year. The tax expense amounted to MSEK 0.6, which arises from the reversal of tax on customer relations in RemaSawco Oy.

Investments

The Group's investments in fixed assets in 2022 amounted to MSEK 9.8 (8.1). The investments relate to capitalized development costs for projects in the Group's subsidiaries.

Cash flow, liquidity, and financial position

Available cash and cash equivalents, including the unutilized part of the overdraft facility amounted to MSEK 38.2 (22.6) as of December 31, 2022. The solidity at the turn of the year amounted to 63 percent (58) and equity amounted to MSEK 122.9 (114.0). Operating cash flow amounted to MSEK 16.9 (7.6). The net debt/equity ratio amounted to 0.0 (0.2) times.

Currency exposure

Image Systems has foreign currency exposure. Sales are made in SEK, USD, and EUR.

The costs are mainly incurred in SEK and EUR, resulting in economic exposure to the Swedish krona (SEK). Hence, the Group has a significant currency exposure. Overall, this has had a less positive effect on the performance and financial position in 2022. See also note 3.

Risks and uncertainties

The Group operates in a global market with significant competition, which requires the Company to continue developing competitive products. To achieve this, the Company must be able to recruit and retain key personnel. The Group's significant risks and uncertainties include business risks associated with contracts with customers and suppliers and other external factors such as risks in changing exchange rates or in connection with external uncertainties such as the war in Ukraine. Access to liquidity can also represent a risk factor; insufficient cash flow would quickly deteriorate the financial position, see further note 3.

Parent Company

The Parent Company's net sales amounted to MSEK 3.9 (3.4), and profit after tax amounted to MSEK -34.0 (4.9). The shares in the Finnish subsidiary RemaSawco Oy were written down by MSEK 50 during the year, as most of the business will be handled by the Swedish subsidiary in the future. Investments in fixed assets amounted to MSEK 0.0 (0.0). The Parent Company's available cash and cash equivalents amounted to MSEK 0.3 (0.2) as of December 31, 2022. The Parent Company's equity as of December 31, 2022, amounted to MSEK 105.6 (139.6), and the solidity was 99 percent (94).

FUTURE DEVELOPMENT

The Company does not provide a forecast for the current year. A basis for future development is the Company's ongoing product development, where several new products and product versions were launched in both RemaSawco and Motion Analysis in 2022. Furthermore, the Group implemented organizational changes during the year in order to strengthen the possibility of future profitable scalability.

FINANCIAL TARGETS

Image Systems aims to create long-term value growth for its shareholders. To achieve this, the Board has determined that the Group shall achieve a long-term operating margin, EBITDA, of 15 percent. The solidity shall not fall below 50 percent in the long term. See also note 4.

RISK MANAGEMENT

Image Systems is exposed through its operations to financial risks such as market risk (including currency risk, interest rate risk, and price risk), credit risk, and liquidity risk. The overall risk management policy, established by the Board of Directors, seeks to avoid impacts on financial performance and position. The Group's management of financial risks is described in note 3.

SHARES

The total number of shares as of December 31, 2022, was 89,207,818 and consists of only one class of shares. One share carries one vote, and all shares have equal rights to dividends. There are no restrictions on the number of votes each shareholder can cast at each general meeting and there are no agreements between shareholders known to Image Systems that could entail restrictions on the right to transfer shares. For more information on the Image Systems share, see pages 22–23.

ENVIRONMENT

Image Systems' operations do not result in any significant negative environmental impact in terms of emissions to soil, water, and air. The Company continuously identifies, together with its subcontractors, the environmental impacts arising in its own activities. The environmental impact of products and services during operation is an important component of our development model. The production is outsourced to subcontractors who, in cooperation with Image Systems, shall ensure that all handling around production and deliveries is environmentally friendly in the best possible way.

EMPLOYEES

Image Systems wants to create an environment with stimulating and exciting tasks where employees feel involved. The Company wants to

create conditions for employees to thrive and have the opportunity to develop.

Working at Image Systems means working at a fast pace in an innovative environment of rapid development where the employee is constantly faced with problem-solving and new ideas. Employees are able to take plenty of initiative and develop with their tasks. For the Company to maintain its excellence and innovation capacity, it is important to retain talented employees with long experience, knowledge, and skills. An important component of this is providing employees with stimulation and development opportunities. The ability to recruit new qualified employees is also of great importance for the Company's continued success. The availability of workers with specific skills in the Company's core technological area is limited.

THE BOARD AND ITS WORK IN 2022

The Board consisted of six (6) Directors in 2022. Ten (10) minuted meetings were held during the year, including the statutory meeting. No Director has worked in the day-to-day business.

The Board of Directors has adopted written rules of procedure and issued written instructions regarding, in part, the division of tasks between the Board of Directors and the Chief Executive Officer and, in part, the information to be received by the Board regularly. The Board has, at its meetings, reviewed the regular items presented at each meeting in accordance with the Board's rules of procedure, such as the business situation, liquidity, financing, budget, annual accounts, and interim reports. Furthermore, the Board has dealt with issues concerning long-term strategies, structural and organizational changes, and product development.

During the year, the Board worked on matters relating to the Company's organization and strategy.

GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

Fees are paid to the Chairman and Directors as resolved by the Annual General Meeting. The 2022 AGM resolved that the guidelines for remuneration to senior executives shall mainly entail that the total remuneration shall be market-based and competitive, and that outstanding performance shall be reflected in the total remuneration. The benefits shall consist of a fixed salary, any variable remuneration, other customary benefits, and a pension. The variable remuneration shall be based on the outcome in relation to set targets and coincide with the interests of the shareholders. The variable remuneration can amount to a maximum of 50 percent of the fixed remuneration. Pension benefits shall be fee-based and typically entitle the recipient to a pension at the age of 65. The variable remuneration shall principally not be pension qualifying. The Board of Directors shall be entitled to depart from the above guidelines if it considers that there are special reasons for doing so in an individual case.

For the 2023 AGM, the Board proposes that the above guidelines for remuneration to senior executives shall apply until the 2024 AGM.

These guidelines (Image Systems' remuneration policy) relate to remuneration and other terms of employment for the management of the Image Systems Group (senior executives). The guidelines are forward-looking, meaning that they will apply to remuneration agreed, and changes made to already agreed remuneration, after these proposed guidelines have been adopted by the AGM in 2023. The guidelines do not cover remunerations decided by the general meeting. New share-based incentive programs are decided, where appropriate, by the general meeting. The guidelines shall promote the business strategy, long-term interests, and sustainability of the Image Systems Group. Successful implementation of the Image Systems Group's business strategy and the safeguarding of the Group's long-term interests, including its sustainability, require the Group to be able to recruit, retain, and develop senior executives. These guidelines enable Image Systems to offer senior executives a competitive total remuneration.

Types of remuneration

The remuneration of the Image Systems Group to senior executives shall consist of the following components: basic salary, variable remuneration, pension benefits, and other benefits. Variable remuneration may, as far as the Chief Executive Officer and other senior executives are concerned, amount to a maximum of fifty (50) percent of the basic salary. Additional cash compensation may be paid in extraordinary

circumstances provided that such special arrangements are limited in time and are only made at the individual level to recruit or retain senior executives or as compensation for extraordinary efforts outside the individual's regular duties. Such remuneration may not exceed an amount equivalent to fifty (50) percent of the annual basic salary. The Board of Directors shall decide on such remuneration on a proposal from the Remuneration Committee. Pension benefits to the CEO shall be based on a premium defined pension plan, except where a defined benefit pension is required by law or collective agreements. The pensionable salary shall include basic salary and other benefits. The pension provisions for the CEO attributable to the annual basic salary shall not exceed 35 percent of the basic salary. Other benefits may include, for example, health insurance and company cars. Premiums and other costs related to such benefits may not exceed ten (10) percent of the CEO's annual base salary. For other senior executives, payment of pension benefits shall be based on a defined contribution pension plan, except in cases where the law or collective agreements require a defined benefit pension.

Remuneration of senior executives resident outside Sweden or resident in Sweden but with a material connection to or having resided in a country other than Sweden may be duly adjusted to comply with mandatory rules or local practice, whereby the overall purpose of these guidelines shall be met as far as possible. In addition to the remuneration described above, senior executives who relocate for or with a position or who work in several countries may also receive remuneration and benefits that are reasonable given the special circumstances arising from such arrangements, whereby consideration shall be given to the overall purpose of these guidelines and general guidelines and procedures for cross-border work within the Image Systems Group.

Termination of employment

Upon termination of a senior executive's employment, the notice period may not exceed 12 months. The combined amount of basic salary during the notice period and severance pay may not exceed an amount equivalent to two years' basic salary. Senior executives who reside outside Sweden or who are resident in Sweden but with a material connection to or who have been resident in a country other than Sweden may be offered a period of notice and severance pay that is reasonable in light of the particular circumstances, taking into account the overall purpose of these guidelines and general guidelines and procedures within the Image Systems Group.

Criteria for the distribution of variable cash remuneration, etc.

Variable remuneration shall be linked to predetermined and measurable criteria. The criteria – which may, for example, be linked to EBITDA, cash flow, ROI, or similar indicators or sustainability targets – shall be designed to promote Image System Group's strategy and long-term value creation, and strengthen the link between achieved performance targets and outcomes. The criteria for short-term and long-term variable remuneration shall be determined annually by the Board of Directors, and the extent to which the criteria are met shall be assessed over annual measurement periods. The extent to which the criteria for awarding variable remuneration have been met shall be determined at the end of the relevant measurement period. The Board is responsible for determining the variable remuneration of all senior executives.

Refunds and adjustments

Senior executives participating in the Image Systems Group's current incentive program are obliged, under certain circumstances and for a certain period of time, to repay all or part of the variable remuneration already paid if payment has been made by mistake or based on deliberately false information or in the event of a material change in the Image Systems Group's established financial results or position. Furthermore, the Board of Directors may decide to postpone payments under incentive programs (before payment has been made) in extraordinary circumstances or to take into account unforeseen one-off events.

Salary and employment conditions for employees

In preparing the Board's proposal for these remuneration guidelines, the Board has considered that the benefits offered to senior executives must align with the general structures applied to Image Systems' employees at competitive levels in the market. The salary and terms of employment for other employees within Image Systems have thus been taken into account by including information about this in the

Remuneration Committee's and the Board's basis of decision when assessing the reasonableness of these guidelines and the limitations resulting from them.

The decision-making process for establishing, reviewing and implementing the guidelines

The Board has established a Remuneration Committee. The Committee's tasks include preparing the Board's decision on proposed guidelines for remuneration to senior executives. The Board shall establish a proposal for new guidelines, at least every four years, and submit the proposal for resolution at the Annual General Meeting. The guidelines shall apply until new guidelines have been adopted by the general meeting. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration to senior executives, the application of guidelines for remuneration to senior executives, as well as the current remuneration structures and remuneration levels in the Group. The members of the Remuneration Committee are independent of Image Systems and its management. The CEO and other persons in the Company management do not attend the Board's consideration of and decisions on remuneration-related issues, insofar as they are affected by the matters.

Deviations from guidelines

The Board of Directors may decide to deviate temporarily from the guidelines, in whole or in part, if there are special reasons for doing so in an individual case and a deviation is necessary to serve the long-term interests of the Image Systems Group, including its sustainability, or to ensure the Group's financial viability. As stated above, the Remuneration Committee's tasks include preparing the Board's decisions on remuneration issues, including any decisions to deviate from the guidelines.

Warrant program

The 2021 Annual General Meeting resolved on an incentive program consisting of 2,000,000 warrants expiring on August 31, 2024, with an exercise price of SEK 2.0. The subscription price has been set by an independent valuation at 10.50 öre per warrant. 2,000,000 warrants have been subscribed by senior executives.

DIVIDENDS

The size of future dividends shall be based on Image Systems' long-term growth and performance, as well as capital requirements, taking into account financial targets. The Board has a long-term objective to distribute approximately twenty (20) percent of Image Systems' profit after tax. The Board proposes that no dividend be paid for the financial year 2022.

PROPOSAL ON ALLOCATION OF PROFITS

Parent Company

At the disposal of the AGM is (MSEK):	MSEK
Retained earnings	130.7
Net profit for the year	-34.5
TOTAL	96.2

The Board proposes:	MSEK
to carry forward	96.2
TOTAL	96.2

Regarding the Company's and the Group's performance and position in general, please refer to the following income statements and balance sheets, changes in equity, cash flow statements, and notes.

CONSOLIDATED INCOME STATEMENT

MSEK	Note	2022	2021
Net sales	5,6,7	171.1	152.2
Capitalized development costs	5,17	9.1	6.5
TOTAL		180.2	158.7
OPERATING COSTS			
Raw materials and consumables	7	-56.4	-49.0
Other external costs	9,19	-26.5	-21.5
Personnel costs	8	-69.7	-68.8
Depreciation and amortization of intangible and tangible fixed assets		-19.3	-18.6
Other operating income	10	0.8	0.0
Other operating costs	10	-	-
OPERATING PROFIT		9.1	0.8
PROFIT FROM FINANCIAL ITEMS			
Financial revenue		-	-
Financial costs		-1.1	-1.3
Total net financial items		-1.1	-1.3
PROFIT AFTER FINANCIAL ITEMS		8.0	-0.5
Tax on profit for the year	12	0.6	0.6
PROFIT FOR THE YEAR		8.6	0.1
Of which attributable to Parent Company shareholders		8.6	0.1
Earnings per share before dilution	32	0.10	0.00
Earnings per share after dilution	32	0.10	0.00

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

MSEK	Note	2022	2021
PROFIT FOR THE YEAR		8.6	0.1
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to net income for the year:			
Translation differences		0.3	0.0
Tax attributable to items that may be reclassified to net income for the year			
Total other comprehensive income		0.3	0.0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		8.9	0.1
Of which attributable to Parent Company shareholders		8.9	0.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MSEK, as of December 31

ASSETS	Note	2022	2021
Fixed assets			
Goodwill	14	36.1	36.1
Trademarks	15	-	1.0
Customer relations	16	23.7	28.5
Capitalized development costs	17	35.1	31.8
Equipment, tools, and installations	18, 19	17.5	23.2
Deferred tax assets	12	19.1	19.1
Total fixed assets		131.5	139.7
Current assets			
Inventories	21	13.6	11.9
Trade receivables	3	20.1	22.1
Other receivables	22	4.0	11.1
Prepaid expenses and accrued income	23	3.0	4.4
Cash and cash equivalents		22.5	7.1
Total current assets		63.2	56.6
TOTAL ASSETS		194.7	196.3
EQUITY AND LIABILITIES			
Equity			
Share capital		8.9	8.9
Other contributed capital		374.8	374.8
Translation reserve		-0.6	-0.9
Capitalized income including net result for the period		-260.2	-268.8
Total equity attributable to Parent Company owners		122.9	114.0
Non-current liabilities			
Lease liabilities	19	8.5	12.8
Loans from credit institutions	24	0.4	2.3
Deferred tax liabilities	12	6.0	6.6
Total non-current liabilities		14.9	21.7
Current liabilities			
Loans from credit institutions	24	5.0	4.6
Accounts payable		12.6	16.1
Lease liabilities	19	4.9	5.2
Other liabilities		13.0	16.7
Accruals and deferred income	28	21.4	18.0
Total current liabilities		56.9	60.6
TOTAL EQUITY AND LIABILITIES		194.7	196.3

STATEMENT OF CHANGES IN GROUP EQUITY

GROUP (MSEK)	Share capital	Other contributed capital	Translation differences	Capitalized loss including net result for the period	Total equity attributable to Parent Company owners
Opening balance as of January 1, 2021	8.9	374.8	-1.0	-268.8	113.9
Net profit for the year	-	-	-	0.1	0.1
Other comprehensive income for the year	-	-	0.1	-	0.1
Comprehensive income for the year			0.1	-	0.1
Closing balance as of December 31, 2021	8.9	374.8	-0.9	-268.8	114.0
Opening balance as of January 1, 2022	8.9	374.8	-0.9	-268.8	114.0
Net profit for the year	-	-	-	8.6	8.6
Other comprehensive income for the year	-	-	0.3		0.3
Comprehensive income for the year			0.3	8.6	8.9
CLOSING BALANCE AS OF DECEMBER 31, 2022	8.9	374.8	-0.6	-260.2	122.9

CONSOLIDATED STATEMENT OF CASH FLOWS



MSEK	Note	2022	2021
THE OPERATING ACTIVITIES			
Operating profit		9.1	0.8
Adjustments for items not included in cash flow:	30	16.7	12.4
Interest received		-	-
Interest paid		-0.7	-0.4
Tax paid		-	-
Cash flow from operating activities before changes in working capital		25.1	12.8
CHANGES IN WORKING CAPITAL			
Inventories		-1.7	-0.4
Current receivables		10.3	-6.2
Current liabilities		-2.4	11.4
Total change in working capital		6.2	4.8
Cash flow from operating activities		31.3	17.6
INVESTING ACTIVITIES			
Acquisition of subsidiaries		-	-
Acquisition of intangible fixed assets		-9.8	-8.1
Acquisition of tangible fixed assets		-	-
Cash flow from investing activities		-9.8	-8.1
Operating cash flow		21.5	9.5
FINANCING ACTIVITIES			
Raised loans	31	-	-
Amortization of loans		-6.1	-6.2
Cash flow from financing activities		-6.1	-6.2
Change in cash and cash equivalents		15.4	3.3
Cash and cash equivalents at the beginning of the year		7.1	3.8
Exchange rate difference on cash and cash equivalents		0.0	0.0
Cash and cash equivalents at the end of the year		22.5	7.1

FINANCIAL STATEMENTS OF THE PARENT COMPANY

MSEK	Note	2022	2021
Revenue	5,6	3.9	3.4
OPERATING COSTS			
Other external costs	8,9,19	-4.9	-4.0
Personnel costs	8	-3.6	-2.7
OPERATING PROFIT		-4.6	-3.3
PROFIT FROM FINANCIAL ITEMS			
Other financial revenue		0.0	0.5
Other financial costs		-50.4	-
Interest expense		0.0	0.0
Total net financial items		-50.4	0.5
PROFIT AFTER FINANCIAL ITEMS		-55.0	-2.8
Appropriations			
Group contribution received	11	20.5	6.6
Tax on profit for the year	12	0.0	1.1
PROFIT FOR THE YEAR		-34.5	4.9

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

MSEK	Note	2022	2021
PROFIT FOR THE YEAR		-34.5	4.9
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		-34.5	4.9

PARENT COMPANY BALANCE SHEETS

MSEK, as of December 31

ASSETS	Note	2022	2021
Fixed assets			
Shares in subsidiaries	20	82.8	131.2
Deferred tax assets	12	12.0	12.0
Total fixed assets		94.8	143.2
Current assets			
Trade receivables		-	-
Receivables from Group companies		8.8	1.2
Other receivables	22	2.6	3.6
Prepaid expenses and accrued income	23	0.4	0.4
Cash and bank		0.3	0.2
Total current assets		12.1	5.4
TOTAL ASSETS		106.9	148.6
EQUITY AND LIABILITIES			
Restricted equity			
Share capital		8.9	8.9
Non-restricted equity			
Share premium reserve		171.5	171.5
Retained earnings		-40.8	-45.7
Net profit for the year		-34.5	4.9
Total equity		105.1	139.6
Current liabilities			
Accounts payable		0.6	0.7
Liabilities to Group companies		-	7.1
Other current liabilities		0.2	0.0
Accruals and deferred income	28	1.0	1.2
Total current liabilities		1.8	9.0
TOTAL EQUITY AND LIABILITIES		106.9	148.6

CHANGES IN PARENT COMPANY EQUITY

MSEK	RESTRICTED EQUITY		NON-RESTRICTED EQUITY	
	Share capital	Share premium reserve	Capitalized loss including net result for the period	Total equity
Opening balance as of January 1, 2021	8.9	171.5	-45.7	134.7
Net profit for the year	-	-	4.9	4.9
Comprehensive income for the year	-	-	4.9	4.9
Shareholder transactions				
Closing balance as of December 31, 2021	8.9	171.5	-40.8	139.6
Opening balance as of January 1, 2022	8.9	171.5	-40.8	139.6
Net profit for the year	-	-	-34.5	-34.5
Comprehensive income for the year	-	-	-34.5	-34.5
CLOSING BALANCE AS OF DECEMBER 31, 2022	8.9	171.5	-75.3	105.1

PARENT COMPANY CASH FLOW STATEMENTS



MSEK	Note	2022	2021
THE OPERATING ACTIVITIES			
Profit excluding interest expenses		-34.5	4.9
Adjustments for items not included in cash flow:	30	29.4	-8.0
Interest paid		0.0	0.0
Cash flow from operating activities before changes in working capital		-5.1	-3.1
CHANGES IN WORKING CAPITAL			
Current receivables		1.1	0.6
Current liabilities		-0.1	-1.0
Total change in working capital		1.0	-0.4
Cash flow from operating activities		-4.1	-3.5
INVESTING ACTIVITIES			
Acquisition of subsidiaries		-	-
Loans from (+) / to (-) subsidiaries		4.2	3.3
Cash flow from investing activities		4.2	3.3
Operating cash flow		0.1	-0.2
FINANCING ACTIVITIES			
Raised loans		-	-
Amortization of loans		-	-
Cash flow from financing activities		0.0	0.0
Change in cash and cash equivalents		0.1	-0.2
Cash and cash equivalents at the beginning of the year		0.2	0.4
Cash and cash equivalents at the end of the year		0.3	0.2

NOTES

Amounts in MSEK unless otherwise stated.

NOTE 1 GENERAL INFORMATION

The Annual Report and Consolidated Accounts of Image Systems AB (publ.) with subsidiaries for the financial year beginning January 1, 2022, and ending December 31, 2022, have been approved by the Board of Directors and the Chief Executive Officer for publication on April 7, 2023, and to be submitted to the Annual General Meeting on May 4, 2023, for adoption. The Parent Company is based in Linköping, Sweden. The address of the head office is Snickaregatan 40, 582 26 Linköping, Sweden. The Company is listed on Nasdaq Stockholm, Small Cap.

Image Systems AB is the Parent Company of a Group comprising the wholly owned subsidiaries RemaSawco Oy, RemaSawco AB with the subsidiaries RemaSawco A/S, RemaSawco International AB (dormant), and Image Systems Nordic AB with the subsidiary Image Systems Trackeye Inc.

All amounts are presented in millions of Swedish kronor (MSEK) unless otherwise stated. The Board of Directors and/or CEO approve financial statements before publication.

NOTE 2 ACCOUNTING POLICIES

COMPLIANCE WITH STANDARDS AND LAW

The Consolidated Accounts are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee, as the European Commission has approved them for application in the EU. The Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups has also been applied.

The Parent Company applies the same accounting policies as the Group except in the cases specified in the section "Parent Company accounting policies."

CHANGES IN ACCOUNTING POLICIES DUE TO NEW OR AMENDED IFRS

No standards, amendments, or interpretations effective for the financial year beginning January 1, 2022, have had a material impact on the Group's financial statements.

ASSESSMENTS AND ESTIMATES

Preparing the financial statements in accordance with IFRS requires assessments, estimates, and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, revenue, and expenses. Actual outcomes may differ from these estimates and assessments. The estimates and assumptions are regularly reviewed. Changes in estimates are reported in the period in which a change is made if it affects only that period, or in the period in which the change is made and in future periods if the change affects both the current and future periods. Assessments in the application of IFRS that have a significant impact on the future financial statements and estimates made that may result in material adjustments to the following year's financial statements are described in more detail:

- note 3 Risks: Financial risk
- note 12 Deferred tax assets
- note 13 Intangible fixed assets

SIGNIFICANT APPLIED ACCOUNTING POLICIES

The accounting policies set out below have been applied, with the exceptions described in more detail, to the periods presented in the consolidated financial statements. The Group's accounting policies have also been consistently applied by the Group's Companies.

CONSOLIDATION AND BUSINESS COMBINATIONS

Consolidation

The Consolidated Accounts include the Parent Company Image Systems AB, and the Companies over which the Parent Company directly or indirectly has a controlling influence (subsidiaries). Control is achieved when the Group is exposed to, or has rights to, variable returns from its holding in the Company and has the ability to use its influence over the Company to affect its returns. When determining whether a controlling influence exists, shareholder agreements and potential voting shares that can be exercised or converted without delay shall be taken into account. Control usually exists when the Parent Company directly or indirectly holds shares representing more than 50% of the votes.

Subsidiaries

Subsidiaries are included in the Consolidated Accounts from the date that control is obtained and are excluded from the Consolidated Accounts from the date that control ceases.

The Group's profit or loss and components of other comprehensive income or expense are attributable to the owners of the Parent Company and to non-controlling interests, even if this results in a negative value for non-controlling interests.

The accounting policies of subsidiaries have been adjusted as necessary to comply with the Group's accounting policies. All intra-group transactions, balances, and unrealized profits and losses arising from intra-group transactions have been eliminated in preparing the Consolidated Accounts.

FOREIGN SUBSIDIARIES

Assets and liabilities in foreign operations, including goodwill and other consolidated surplus and deficit values, are translated into Swedish kronor (SEK) at the exchange rate prevailing on the balance sheet date. Revenue and costs in foreign operations are translated into Swedish kronor at an average rate that approximates the rates prevailing at the time of each transaction. Translation differences arising from exchange rate conversions of foreign operations are recognized in other comprehensive income and accumulated in the translation reserve in equity.

OPERATING SEGMENT

Operating segments are recognized in a manner that complies with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the function responsible for allocating resources and assessing the performance of the operating segments. In the Group, it is the President and CEO of Image Systems AB who makes strategic decisions.

The Group has two business units/operating segments: RemaSawco and Motion Analysis. The RemaSawco segment offers measurement technology systems that improve the efficiency and profitability of sawmills. The Motion Analysis business unit offers software tools for motion analysis of high-speed film for a wide range of application areas.

REVENUE FROM CONTRACTS WITH CUSTOMERS

The basic principle is that revenue is recognized in the manner that best reflects the transfer of the promised good or service to the customer.

The Group recognizes revenue from licenses, project revenue, product sales, and services.

License revenue

Licenses are recognized as revenue when the license key is delivered to the customer.

Project revenue

Revenue from project contracts with customers is recognized using a five-step model:

- Step 1: identify the contract with the customer
- Step 2: identify the performance obligations in the contract
- Step 3: determine the transaction price
- Step 4: allocate the transaction price to the performance obligations
- Step 5: recognize revenue when a performance obligation is fulfilled.

If the transaction price includes variable remuneration (e.g., discounts, royalties, etc.), these shall be estimated and included in the transaction price to the extent that it is highly unlikely they will need to be reversed. Particularly in RemaSawco, a significant part of the sales is done on a project basis.

The Group offers products and services at both fixed and variable prices. For contracts at a fixed price, revenue is recognized based on how much of the total project is transferred to the customer. Estimates regarding revenue, costs, or the stage of completion of projects are revised if circumstances change. Increases or decreases in estimated revenues or expenses arising from a changed estimation are recognized in the income statement in the period in which the circumstances giving rise to the revision become known to management.

In fixed-price projects, the customer pays the agreed price at agreed times of payment. If the services the Group has delivered exceed the payment, a contract asset is recognized. If payments exceed the services delivered, a contract liability is recognized.

Product sales

Product sales are recognized as revenue upon delivery of hardware and software to the customer.

Services

Services are reported in both business units. These services may consist of software upgrades, service agreements, support, training, and even software subscription revenue. Service agreements, subscriptions, and upgrades are recognized as revenue monthly at a value of the contract amount divided by the term of the contract in months. Support and training is recognized as revenue after the performance obligation has been fulfilled.

CLASSIFICATIONS, ASSETS, AND LIABILITIES

Fixed assets and non-current liabilities consist, in all material respects, of amounts expected to be recovered or paid more than twelve months from the balance sheet date. Current assets and liabilities consist, in all material respects, of amounts expected to be recovered or paid within twelve months from the balance sheet date. The Group's operating cycle is estimated to be less than one year.

FINANCIAL INSTRUMENTS

Financial instruments include cash and cash equivalents, securities holdings, receivables, operating liabilities, borrowings, and any derivative instruments. Purchases and sales of securities and derivative instruments are recognized on the trading day, i.e., when a binding contract for the purchase and sale has been concluded. The fair value of marketable securities is based on bid prices at the balance sheet date.

Securities intended for long-term holding and any short-term investments are assigned either to the measurement category "financial assets at fair value through other comprehensive income", "financial assets at fair value through profit or loss" or alternatively "financial assets at amortized cost." The measurement category is decided separately for each security holding based on the characteristics of the contractual cash flows and the Company's business model for management, i.e., the nature of the holding and the purpose of the holding.

For financial assets at fair value through profit or loss, changes in fair value are recognized as financial income or financial expenses, respectively, in the income statement. Changes in the value of any forward foreign exchange contracts are, however, recognized in the operating profit.

Changes in the fair value of financial assets at fair value through other comprehensive income are recognized in the consolidated statement of comprehensive income during the holding period. Upon disposal of the instrument, there is no reclassification of accumulated changes in value to financial income or financial expenses, respectively, in the profit and loss account. For the category of financial liabilities measured at fair value through profit or loss, changes in value are recognized as financial items in the income statement. Other financial liabilities are recognized at amortized cost.

For all financial assets and liabilities, the carrying amount is considered to be a good approximation of its fair value, unless otherwise stated in the following notes.

Interest income is recognized as revenue over the term using the effective interest method. All interest income and interest expenditure relates to financial assets and financial liabilities, respectively, that are not recognized at fair value through profit or loss.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and netted in the balance sheet when there is a legal right to offset and there is an intention to settle the items at a net amount or simultaneously realize the asset and settle the liability.

Cash and cash equivalents

Cash and cash equivalents include cash and bank balances.

Receivables

Trade receivables and other operating receivables are measured at amortized cost. The expected maturity of trade receivables is short, however, so they are recognized at nominal amount without discounting. The new model for calculating the customer loss reserve is based on expected credit losses instead of actual documented losses, which means an earlier reporting of credit losses. The impact has been minor, however, as the Group has historically had insignificant customer losses. Impairments of trade receivables are recognized in operating costs.

Accounts payable

Accounts payable are measured at amortized cost. The expected maturity of the accounts payable is short, however, so the liability is recognized at the nominal amount without discounting.

Bank and other loan liabilities

Interest-bearing bank loans, overdraft facilities, and other loans are measured at amortized cost using the effective interest method. Any difference between the amount of the loan received (net of transaction costs) and the repayment or amortization of the loan is recognized as part of the interest over the life of the loan.

INVENTORIES

Inventories are measured at the lower of cost, i.e., at the lower of acquisition value and net realizable value. The acquisition value, including a fair share of fixed and variable indirect costs, is calculated using the FIFO (first-in, first-out) method. Net realizable value is the calculated selling price less the estimated costs of completing the goods and selling costs. Inventory valuation is done for each individual item. The assessment has taken into account warehouse size, turnover rate, and any technological change. The Company's finished goods inventory consists of complete systems and system-ready products.

INTANGIBLE ASSETS

Intangible assets with finite useful lives are recognized at cost less accumulated depreciation/amortization and any impairment losses. Intangible assets without finite useful lives, such as goodwill, are recognized at cost less any impairment losses.

Goodwill

Goodwill arising in connection with business combinations consists of the amount by which the acquisition value exceeds the fair value of the Group's share of the acquired subsidiary's net assets at the acquisition time. Goodwill related to the acquisition of subsidiaries is recognized in the balance sheet as an intangible asset and is considered to have an indefinite useful life. Goodwill is allocated to the smallest possible cash-generating unit and is tested annually, or as soon as there is an indication of impairment, to identify any impairment loss. Goodwill is recognized at cost less any accumulated impairment losses. The gain or loss on the disposal of an entity includes the residual carrying amount of the goodwill relating to the operation disposed of.

Trademarks and customer relations

When Image Systems acquired Image Systems Nordic and RemaSawco, the acquisition analysis identified the value of Trademarks and Customer relations. These are linearly depreciated over the useful life. After analysis, the useful life has been assessed to be 10 years for trademarks and 10 years for customer relations.

Capitalized development costs

Expenditure on ongoing product improvements is expensed as incurred, while expenditure on specific development projects is capitalized as follows: Capitalization of the Group's development costs is only done for new products if the expenses are significant, the products have a likely profit potential expected to accrue to the Company, and the expenses are clearly separable from the ongoing product development costs. Depreciation/amortization is calculated on a straight-line basis over sixty (60) months. Any need for impairment is evaluated on an ongoing basis.

TANGIBLE FIXED ASSETS

Tangible fixed assets are reported at acquisition value less accumulated depreciation and any impairment losses. Expenditure on repairs and maintenance is expensed as incurred.

Depreciation/amortization is calculated on a straight-line basis over the estimated useful life of the asset. For equipment, tools, and installations the depreciation/amortization period is between 3–7 years.

IMPAIRMENT

Goodwill and capitalized development costs for which depreciation has not yet begun are tested annually for impairment or as soon as there is an indication that an asset may be impaired. Other assets are tested as soon as there is an indication that the carrying amount may be too high. If the recoverable amount is lower than the carrying amount, it is written down to the lower of the two. The recoverable amount is the higher of net realizable value and value-in-use. In assessing value-in-use, future cash flows are discounted to present value using a pre-tax discount rate. The discount rate shall reflect market assessments of the time value of money (real interest rate) and the risks specific to the asset or cash-generating unit to which the asset is attributable.

PROVISIONS

Legal or constructive obligations relating to the financial year or previous financial years that are certain or probable at the balance sheet date but uncertain as to their amount or when they will be settled are recognized as provisions.

EMPLOYEE BENEFITS

Employee benefits such as salaries and pensions are recognized as an expense during the period in which the employees performed the services to which the benefits relate. The Group's post-employment benefit plans only include defined contribution pension plans, fulfilled through ongoing payments to independent legal entities. Once the fee is paid, the Company has no further obligations.

INCENTIVE PROGRAM

The warrants issued by the Parent Company have been transferred free of charge to the subsidiary RemaSawco International AB. RemaSawco International AB has since sold the warrants at market value to senior executives in the Group. An external party has done the measurement; therefore, these are not recognized under IFRS 2.

CASH FLOW STATEMENT

The cash flow statement has been prepared using the indirect method, adjusting for transactions that have not resulted in cash inflows or outflows during the period. Cash and bank balances are classified as cash and cash equivalents.

LEASING

Leases are recognized as right-of-use assets and interest-bearing lease liabilities in the balance sheet. Lease liabilities are recognized as other loans and are measured at the present value of future lease expenses. The lease fees are discounted using an interest rate that reflects what the Image Systems Group would have to pay for financing by borrowing to acquire a corresponding asset with a corresponding security and a corresponding period. Right-of-use assets are presented as tangible fixed assets and are measured at cost less accumulated depreciation and any impairment losses. Depreciation/amortization of the asset is recognized on a straight-line basis over the contract period. The lease cost is recognized as depreciation/amortization of the asset in operating profit and interest expenditure in net financial items. Payments are allocated between interest paid and amortization of the lease liability.

Existing leases are mainly for real estate (such as offices and warehouses) and company cars. For leasing of real estate and company cars, the service components usually form a significant part of the contracts, whereby the leased asset and service are separated. The service components are thus recognized as operating costs and are not included in the right-of-use asset and lease liability. If the lease is of low value or has a lease term shorter than twelve months, the lease payments are recognized as operating costs when incurred.

FOREIGN CURRENCY

Transactions in foreign currency are translated into Swedish kronor at the exchange rate of the transaction date. Receivables and liabilities in foreign currencies are measured at the closing-day rate. Exchange rate differences on operating receivables and liabilities are included in operating profit, while differences on financial claims and liabilities are recognized among financial items.

ISSUE COSTS

Transaction costs directly attributable to the issue of new shares, convertibles, or options are recognized, net of tax, in equity as a deduction from the issue proceeds.

TAX

Income taxes consist of current tax and deferred tax. Income taxes are recognized in profit or loss except when the underlying transaction is recognized in other comprehensive income or equity, whereby the related tax effect is recognized in other comprehensive income or equity. Current tax is tax that is payable or receivable for the current year and adjustments to the current tax of previous years. Deferred tax is calculated using the balance sheet method on all material temporary differences. A temporary difference exists when the carrying amount of an asset or liability differs from the tax base. Such a difference may arise, for example, when an asset is written up or down or when the accounting policies applied differ between the accounts of an individual Group Company and the Consolidated Accounts. Deferred tax liabilities are recognized in principle for all temporary taxable differences, while deferred tax assets are recognized to the extent that they are likely to be utilized against future taxable profits.

Loss carryforwards that are deemed to be used for future offsets exist in the Swedish Parent Company and in the subsidiaries in Sweden. For further information, see note 12. The loss carryforwards in Sweden do not currently have a time limit, but if there are changes in ownership that result in changes in control of the Company, the right of disposal may be limited.

The carrying amount of deferred tax assets, MSEK 19.1 (19.1), is tested at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable losses will be available for use, in whole or in part, against the deferred tax asset. The Company is expected to have taxable profits in the next few years. Deferred tax is calculated at the tax rates expected to apply in the period in which the asset is recovered, or the liability is settled. Deferred tax assets and liabilities are offset when they relate to income tax charged by the same taxation authority and when the Group intends to settle the tax in a net amount. The deferred tax liability that is recognized relates to temporary differences in customer relations.

PARENT COMPANY ACCOUNTING POLICIES

The Parent Company has prepared its Annual Report according to the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities. The Swedish Financial Reporting Board's published statements for listed companies are also applied. RFR 2 means that the Parent Company, in the Annual Report for the legal entity, shall apply all EU-approved IFRS and interpretations from IFRIC as far as possible within the framework of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act with regard to the connection between accounting and taxation. The recommendation specifies the exceptions and additions to be made compared to IFRS. The differences between the accounting policies of the Group and the Parent Company are set out below. The accounting policies stated for the Parent Company are applied consistently to all periods presented in the Parent Company's financial statements.

Participations in subsidiaries

Participations in subsidiaries are reported using the cost method, and the value of subsidiaries is tested when there is an indication of impairment.

Acquisition-related costs for subsidiaries

Acquisition-related costs for subsidiaries, which are expensed in the Consolidated Accounts, are included as part of the cost of participations in subsidiaries.

Group contributions

Group contributions are accounted for as an appropriation according to the alternative rule.

Leases

In the Parent Company, all leases are accounted for in accordance with the rules for operating leases.

NOTE 3

RISKS

RISK FACTORS

Image Systems' operations are affected by a number of external factors whose potentially negative effects on the Company's performance and financial position can be counteracted and mitigated to varying degrees. It is important to consider these risk factors alongside potential opportunities when assessing Image Systems' future development.

FUTURE CAPITAL NEEDS

The Company needs capital to develop the products necessary to attract the market. In the event that the Company does not generate a sufficient surplus, there are no guarantees that it will be possible to raise external capital to develop new products or run the Company further.

COMPETITORS

The Company operates in highly competitive markets. There are several competitors in both business units with high-quality products. It is therefore important to continuously develop new innovative products in order to maintain and consolidate their leading positions in their respective lines of business.

ECONOMIC DEVELOPMENT

Fluctuations in economic development affect the willingness to invest in the products and services offered by Image Systems. This may result in orders being withheld, withdrawn, or delayed. A weakened economy and business cycle thus have a negative impact on the Company's operations.

RELIANCE ON QUALIFIED PERSONNEL AND KEY INDIVIDUALS

Image Systems aims to create a working environment where employees develop and feel engaged. The Company seeks to provide competitive conditions and a stimulating work environment for its employees, but there are no guarantees that the Company's efforts will yield results. If Image Systems cannot retain key personnel and other personnel critical to its operations, the Company's earning capacity and profitability may be adversely affected.

INTELLECTUAL PROPERTY RIGHTS

The Company strives to protect its intangible assets through, among other things, patents, and confidentiality commitments. If Image Systems' measures to protect its intangible assets are insufficient or if they are misused, this could adversely affect the Company's operations and performance. Image Systems may also be required to initiate legal proceedings to protect its intellectual property and trade secrets. Such processes can lead to significant costs and take up the time of senior management in the Company.

PRODUCT DEPENDENCE AND PRODUCT DEVELOPMENT

Image Systems is dependent on subcontractors for the manufacture of the Company's products. The conditions are now in place for stable deliveries from Image Systems' subcontractors. However, if subcontractors and other actors on which Image Systems are dependent for the delivery of products cannot deliver on time or with the required quality and volume, this may adversely affect the Company's operations and performance.

TECHNOLOGICAL PROGRESS AND CHANGE

The markets in which Image Systems operate are greatly affected by the rapid technological development in the IT field. Delays in development work or the inability to keep pace with technological progress may lead to reduced or lost competitiveness. Overall, it is therefore of great importance that development projects can be conducted within established deadlines and budgets for Image Systems to maintain and develop its position in these markets.

FINANCIAL RISKS

Image Systems is exposed to various types of financial risks through its operations, such as market, financing, liquidity, and credit risks. Market risks mainly consist of interest rate risk and currency risk. The Company's Board of Directors is ultimately responsible for the exposure, management, and monitoring of Image Systems' financial risks.

FINANCING RISK

Financing risk refers to the risk that the cost of taking out new loans will be higher and that refinancing maturing loans will be more difficult or impossible. As of December 31, 2022, the Group's interest-bearing liabilities amounted to MSEK 5.4 (6.9), excluding a lease liability of MSEK 13.4 (18.0). The total unutilized credit facility amounted to MSEK 15.7 (15.4). Moreover, the Group has the right to use an additional credit facility of MSEK 5.0 for nine months during a twelve-month period.

The Company estimates that with current credit facilities and financing, the business will be able to operate for the next 12 months.

The Group's policy for managing financing risk is to regularly conduct twelve-month liquidity simulations and, if necessary, to secure liquidity through overdraft facilities, bank loans, or other loans.

CURRENCY RISK

The consolidated financial statements are prepared in Swedish kronor (SEK). The Group's foreign subsidiaries are, in all material respects, not affected by currency flow exposure as revenue and expenses are denominated in local currency. In the Swedish ones, however, the situation is different. Revenue in this business are distributed between Swedish kronor, US dollars, and euros, while expenses are mainly affected by Swedish kronor and euros, resulting in a currency flow exposure to the Swedish krona. As a result, the Group has a significant currency exposure, which, in the event of unfavorable developments between the dollar, euro, and the Swedish krona, could have negative effects on its performance and financial position.

Image Systems' currency policy entails that the Company's sales can be hedged for up to six months. However, the Company did not use this option in 2022. In addition to the above currency exposure, Image Systems is exposed to translation exposure when translating the monetary items in the foreign subsidiaries. This translation exposure is not hedged.

The table below shows the Group's assets and liabilities in foreign currencies translated into Swedish kronor at the balance sheet date.

	USD	EUR	GBP	NOK	Total
Assets	2.0	18.4	2.8	1.8	25.0
Liabilities	0.3	12.0	0.0	0.7	13.0
Net exposure	1.7	6.4	2.8	1.1	12.0

A change in the relevant exchange rates in relation to the Swedish krona of +/- 5 % would, at the balance sheet date, result in a profit effect of +/- 0.1 for USD, +/- 0.3 for EUR, +/- 0.1 for GBP, and +/- 0.1 for NOK. Overall, this gives a total weighted profit effect of MSEK +/- 0.6.

INTEREST RATE RISK

Interest rate risk is the risk of a negative impact on the Group's income statement and cash flows due to changes in market interest rates. As the Group has no financial assets or financial liabilities measured at fair value, changed market interest rates do not have an immediate effect on its profit and loss account. The Group's credits currently refer to overdraft facilities, the interest rates of which may change partly in response to changes in the general interest rate environment and partly to Company-specific events. Given full utilization of the Group's overdraft facilities and other loan facilities, an interest rate increase of one percentage point would lead to increased interest expenses for the Group of approximately MSEK 0.2 annually.

CREDIT AND COUNTERPARTY RISK

Credit risk is the risk that the counterparty will not be able to meet its contractual obligations toward the Group, resulting in a financial loss. Image Systems' exposure to credit risk is mainly attributable to trade receivables.

To limit credit risk, the Group only works with counterparties that are deemed capable of fulfilling their obligations toward the Group. In cases where the Company perceives the customer to be a counterparty risk, the Company requires advance payments. The markets in which Image Systems operates are not considered to pose any political risks. However, the Company always strives to eliminate or minimize possible risks by securing payment flows. As of 2022-12-31, there were no concentrations of credit risk.

The Group's and the Parent Company's maximum exposure to credit risk corresponds to the carrying amounts of all financial assets and is shown in the table below. The carrying amount is consistent with the fair value.

	GROUP	
	2022	2021
Trade receivables	20.1	22.1
Receivables from subsidiaries	-	-
Other receivables	4.0	11.1
Prepaid expenses and accrued income	3.0	4.4
Cash and cash equivalents	22.5	7.1
MAXIMUM EXPOSURE TO CREDIT RISK	49.6	44.7

	PARENT COMPANY	
	2022	2021
Trade receivables	-	-
Receivables from Group companies	8.8	1.2
Other receivables	2.6	3.6
Prepaid expenses and accrued income	0.4	0.4
Cash and cash equivalents	0.3	0.2
MAXIMUM EXPOSURE TO CREDIT RISK	12.1	5.4

TRADE RECEIVABLES

The Company assesses that the credit quality of trade receivables that are neither past due nor impaired is good, given that the customers' payment history is good.

At each balance sheet date, the Company assesses whether there is objective evidence that a trade receivable is impaired as a result of past events. Examples of such events are significant deterioration in the financial position of the counterparty or non-payment of amounts due.

	GROUP	
	22-12-31	21-12-31
Trade receivables	21.8	23.9
Opening accumulated provisions for bad debts	-1.8	-1.4
Provisions for bad debts for the period	-	0.4
Reversal of provisions for the period	-	-
Confirmed customer losses	0.7	-
Closing accumulated provisions for bad debts	-1.7	-1.8
TOTAL TRADE RECEIVABLES	20.1	22.1

	PARENT COMPANY	
	22-12-31	21-12-31
Trade receivables	0.0	0.0
Opening accumulated provisions for bad debts	0.0	0.0
Provisions for bad debts for the period	-	-
Reversal of provisions for the period	-	-
Confirmed customer losses	-	-
Closing accumulated provisions for bad debts	-	-
TOTAL TRADE RECEIVABLES	0.0	0.0

Historically, the Group has had low customer losses. The risk spread across companies, and geographic markets is favorable. No individual customer has a significant impairment requirement. During the year, a provision of MSEK 0.0 (0.4) has been made for bad customer debts. The assessment is that the reserve for bad debts well covers any future impairment needs. The reserved trade receivables relate partly to provisions in accordance with the steps introduced in accordance with IFRS 9 and partly to old trade receivables that are more than two years overdue where the customers' willingness to pay is deemed to be low. The Group's bad debts have been non-material and remain so after transitioning to the new standard.

Each subsidiary applies its impairment model for trade receivables based on assumptions and historical information and has chosen to apply a simplified impairment model.

At year-end, the reserved trade receivables were overdue by more than two years and customers' willingness to pay has been assessed as low.

OVERDUE TRADE RECEIVABLES NOT CONSIDERED DOUBTFUL

	GROUP	
	22-12-31	21-12-31
Expired:		
1–30 days	2.9	1.2
31–60 days	2.0	0.3
61–90 days	0.2	0.4
91–180 days	0.7	0.8
> 180 days	3.5	5.3
TOTAL	9.3	8.0

	PARENT COMPANY	
	22-12-31	21-12-31
Expired:		
1–30 days	-	-
31–60 days	-	-
61–90 days	-	-
91–180 days	-	-
> 180 days	-	-
TOTAL	-	-

The trade receivables that are more than 90 days overdue but are not considered impaired 4.2 (6.1) mainly relate to agreed performance guarantees. These are expected to be received after final approval has been granted.

LIQUIDITY RISK

Liquidity risk refers to the risk of the Group being adversely affected by inadequate management and control of cash and cash equivalents and payment flows. Image Systems monitors the Parent Company's and the Group's liquidity by continuously compiling liquidity forecasts that form the basis for decisions on possible borrowing or investment.

The maturity breakdown of contractual payment obligations related to the Group's financial liabilities is shown in the table below.

MATURITY OF CONTRACTUAL PAYMENT OBLIGATIONS RELATED TO
THE FINANCIAL LIABILITIES OF THE GROUP/PARENT COMPANY

2022 GROUP	<1 month	1–3 months	3 months– 1 year	1–5 years	>5 years	Total
Loan liabilities and loans from credit institutions	0.2	0.5	4.2	0.5	-	5.4
Accounts payable	11.9	0.2	0.3	0.2	-	12.6
Other liabilities	2.4	1.9	8.7	-	-	13.0
Lease liabilities	0.4	1.3	3.5	9.8	-	15.0
Accruals and deferred income	3.3	0.6	9.6	-	-	13.5
TOTAL FINANCIAL LIABILITIES	18.2	4.5	26.3	10.5	-	59.5

2021 GROUP	<1 month	1–3 months	3 months– 1 year	1–5 years	>5 years	Total
Loan liabilities and loans from credit institutions	-	-	4.6	2.3	-	6.9
Accounts payable	12.6	-	3.5	-	-	16.1
Other liabilities	3.5	3.8	9.4	-	-	16.7
Lease liabilities	0.4	1.3	3.5	12.8	-	18.0
Accruals and deferred income	1.6	1.8	9.7	-	0.3	13.4
TOTAL FINANCIAL LIABILITIES	18.1	6.9	30.7	15.1	0.3	71.1

2022 PARENT COMPANY	<1 month	1–3 months	3 months– 1 year	1–5 years	>5 years	Total
Loan liabilities and loans from credit institutions	-	-	-	-	-	-
Accounts payable	0.6	-	-	-	-	0.6
Other liabilities	0.2	-	-	-	-	0.2
Accruals and deferred income	0.2	0.5	0.3	-	-	1.0
TOTAL FINANCIAL LIABILITIES	1.0	0.5	0.3	-	-	1.8

2021 PARENT COMPANY	<1 month	1–3 months	3 months– 1 year	1–5 years	>5 years	Total
Loan liabilities and loans from credit institutions	-	-	-	-	-	-
Accounts payable	0.7	-	-	-	-	0.7
Other liabilities	0.0	-	-	-	-	0.0
Accruals and deferred income	-	0.3	0.9	-	-	1.2
TOTAL FINANCIAL LIABILITIES	0.7	0.3	0.9	-	-	1.9

NOTE 4

FINANCIAL TARGETS AND CAPITAL MANAGEMENT

The Board of Image Systems has established a financial objective which means that the Company shall ensure that financial obligations are fulfilled and that the expansion takes place at the pace stipulated in the business plan.

Image Systems' capital structure objectives are to ensure the Group's ability to continue as a going concern, to create long-term value growth for its shareholders and other stakeholders, and to maintain an optimal capital structure to keep the cost of capital low. In order to adjust the capital structure, the Group may issue new shares to increase the net debt.

To achieve this, the Board of Directors has determined that the Group aims to achieve a long-term operating margin (EBITDA) of 15 percent, a solidity of not less than 50 percent, and a net debt/equity ratio of less than 1. In 2022, the operating margin target was achieved as the EBITDA operating margin amounted to 15.8 percent (12.2), the solidity amounts to 63 percent (58), and the net debt/equity ratio to 0.0 (0.2).

The Group, like other companies in the industry, assesses its capital on the basis of the debt/equity ratio, which is calculated as follows:

Net debt, according to note 25
divided by
Total equity

In 2022, the Group's strategy, unchanged from 2021, was to maintain a debt-to-equity ratio of between 10 percent and 25 percent as the Group had not yet reached the long-term EBITDA margin of 15 percent at the beginning of the year. The debt/equity ratio excluding the lease liability according to IFRS 16 amounted to 0 percent, i.e., better than the set framework.

The debt-to-equity ratio as of December 31, 2022 and 2021, was as follows:

The Group's main borrowing facilities are overdraft facilities, which are secured by chattel mortgages. There are no other loan terms for these overdraft facilities.

	2022	2021
Net debt	-3.7	17.8
Total equity	122.9	114.0
Debt-to-equity ratio, %	-3	16

The Group's main borrowing facilities are overdraft facilities, which are secured by chattel mortgages. There are no other loan terms for these overdraft facilities.

NOTE 5

BREAKDOWN OF REVENUE

REVENUE RELATED TO NET SALES IN DIFFERENT MARKETS

GROUP	Motion Analysis				RemaSawco				Group			
	2022		2021		2022		2021		2022		2021	
	MSEK	%	MSEK	%	MSEK	%	MSEK	%	MSEK	%	MSEK	%
American continent	11.7	35	6.3	25	0.4	1	1.6	1	12.1	7	7.9	5
Europe ¹⁾	8.8	26	9.6	28	137.3	99	125.3	99	146.1	85	134.9	89
Asia including Oceania	12.9	39	9.4	27	-	0	-	0	12.9	8	9.4	6
TOTAL	33.4	100	25.3	100	137.7	100	126.9	100	171.1	100	152.2	100

¹⁾ The Group's Parent Company is located in Sweden. The Group's revenue from external customers in Sweden amounted to MSEK 101.6 (78.4).

REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group's net sales consist of the following main types of revenue by operating segment:

	RemaSawco		Motion Analysis		Group	
	2022	2021	2022	2021	2022	2021
Licenses	-	-	17.0	15.4	17.0	15.4
Project revenue	100.2	84.7	-	-	100.2	84.7
Product sales	15.2	14.5	6.8	1.6	22.0	16.1
Services	22.3	27.7	9.6	8.3	31.9	36.0
TOTAL REVENUE	137.7	126.9	33.4	25.3	171.1	152.2

DESCRIPTION OF THE GROUP'S REVENUE

Below is a description of the business units' revenue in terms of nature, invoicing, the timing of satisfaction of performance obligations and revenue recognition, and significant payment terms.

RemaSawco

Project revenue

Revenue is recognized based on how much of the total project is transferred to the customer. These projects include both Company products and project components. In fixed-price projects, the customer pays the agreed price at agreed times of payment. If the services the Group has delivered exceed the payment, a contract asset is recognized. If payments exceed the services delivered, a contract liability is recognized.

Product sales

Refers mainly to spare and replacement parts. Customers are invoiced upon delivery, and payment terms are normally 30 days.

Services

Refers mainly to service and support and are carried out on an ongoing basis, and are recognized as the services are rendered. Customers are invoiced and usually pay in arrears for services rendered.

Motion Analysis

Licenses

Revenue for the permanent usufruct of software is recognized immediately at the time of delivery when the customer obtains control of the software. Customers are invoiced upon contract signing/delivery, and payment terms are normally 30 days. Revenue for software license subscriptions is recognized monthly as the ratio of the contractual value divided by the length of the contract in months.

Product sales

Refers mainly to hardware for DIC systems and hardware associated with calibration or 3D model generation. Customers are invoiced upon delivery, and payment terms are normally 30 days.

Services

Relates mainly to support and training and is either on an ongoing basis and recognized as the services are rendered or as an annual support or subscription agreement that is recognized as revenue linearly over the contract period. Customers are invoiced and usually pay in arrears for training. Support and subscription contracts are normally invoiced annually in advance.

Contract assets and contract liabilities

The Group recognizes trade receivables when there is an unconditional right to payment for services rendered. Accrued income is recognized related to fees and other remuneration for services rendered that have not yet been invoiced at the balance sheet date. Contracts invoiced in advance are recognized as deferred income in the balance sheet. Invoiced fees in fixed-price contracts for services not yet rendered are recognized as customer advances.

Accrued income

Of the year's opening balance of MSEK 0.4, MSEK 0.4 has been reclassified to trade receivables in 2022. For revenue recognized in 2022, accrued income at the end of the year is included by MSEK 0.5.

Deferred revenue

Of the year's opening balance of MSEK 4.8, MSEK 4.8 was recognized as revenue in 2022. Contracts invoiced in advance during 2022 are included in deferred income at the end of the year with MSEK 9.4.

Non-invoiced project revenue

Of the year's opening balance of MSEK 9.0, MSEK 8.2 was recognized as revenue in 2022. Invoiced fees in fixed-price assignments for services not yet rendered amount to MSEK 0.8 in the year's closing balance.

Trade receivables and expected credit losses

The Group has historically had very low credit loss costs. The reserve for bad customer debts amounted to MSEK 1.7 (1.8) on the balance sheet date of 2022-12-31 and mainly relates to expected credit losses relating to customers in the RemaSawco business unit. The expected level of credit losses is very low in relation to outstanding trade receivables and net sales. The effects of the model for calculating the reserve for expected credit losses under IFRS 9 amount to MSEK 0.6.

Contract expenditure

The Group has not reported any assets due to expenditure on obtaining or fulfilling agreements with customers.

Transaction price allocated to remaining performance obligations

The following table shows revenue expected to be recognized for performance obligations that are unfulfilled or partially unfulfilled at the balance sheet date and when the revenue is expected to be recognized.

Within one year from the balance sheet date	68.5
Later than one but within five years of the balance sheet date	13.4
Later than five years after the balance sheet date	-
TOTAL	81.9

Parent Company

The Parent Company's revenue mainly relates to invoicing of services rendered and re-invoiced Group-wide costs.

NOTE 6**PURCHASES AND SALES BETWEEN GROUP COMPANIES**

For purchases and sales between Group Companies, the same pricing policies are applied as for transactions with external parties.

	PARENT COMPANY	
	2022	2021
Percentage of sales to Group Companies	100%	100%
Percentage of purchases from Group Companies	0%	0%

NOTE 7**OPERATING SEGMENTS**

The operating segments are based on the information processed by the CEO of Image Systems, who is the "chief operating decision maker" of the Image Systems Group, and which is used to monitor operations and strategic decisions. Key figures such as net sales, gross margin, and EBITDA are monitored per business unit and in total. The operating segments of Image Systems are the RemaSawco and Motion Analysis business units. The segments have their own sales and marketing organization but a common administration. EBITDA is the performance measure monitored by management, and it includes capitalized development costs. No single customer accounts for more than 5 percent of the Group's revenue. There are no inter-segment sales except for costs charged for shared rents and administrative services. All transactions are carried out on market terms. The Group's segments are defined by the Group's main product groups, which address completely different customer categories. The customers for all segments are located globally and the geographical breakdown, which is made according to the customers' geographical location, is presented in note 5. No further breakdown is made in the Group's internal reporting system.

Net sales and profit by segment	2022	2021
RemaSawco	137.7	126.9
Motion Analysis	33.4	25.3
Parent Company and Group items	-	-
Total revenue	171.1	152.2
EBITDA (incl. capitalized development costs)		
RemaSawco	17.8	14.4
Motion Analysis	15.2	8.3
Head office costs and Group items	-4.6	-3.3
EBITDA total (incl. capitalized development costs)	28.4	19.4
Depreciation and amortization of tangible and intangible fixed assets	-19.3	-18.6
Operating profit	9.1	0.8
Net financial items	-1.1	-1.3
Profit before tax	8.0	-0.5
Tax	0.6	0.6
Profit/loss for the period	8.6	0.1

NOTES

The Group's fixed assets other than financial instruments and tax assets are allocated according to their physical location, i.e., to the markets in which the Group operates.

GROUP	2022	2021
Sweden	59.5	62.7
Finland	52.9	57.9
Norway	0.0	0.0
TOTAL	112.4	120.6

NOTE 8 SALARIES, OTHER BENEFITS, AND SOCIAL COSTS

	GROUP	
	2022	2021
BOARD AND CEO		
Salaries and other benefits	2.5	2.3
Social costs on salaries and benefits	0.8	0.7
Pension costs	0.4	0.4
Total	3.7	3.4
OTHER EMPLOYEES		
Salaries and other benefits	43.5	45.1
Social costs on salaries and benefits	13.2	12.4
Pension costs	6.3	7.4
Other personnel costs	3.0	0.5
Total	66.0	65.4
TOTAL	69.7	68.8

	PARENT COMPANY	
	2022	2021
BOARD AND CEO		
Salaries and other benefits	2.5	2.3
Social costs on salaries and benefits	0.8	0.7
Pension costs	0.4	0.4
Total	3.7	3.4
OTHER EMPLOYEES		
Salaries and other benefits	0.5	-
Social costs on salaries and benefits	0.1	-
Pension costs	0.3	-
Other personnel costs	0.1	0.5
Total	1.0	0.5
TOTAL	4.7	3.9

The Parent Company includes MSEK 1.1 relating to costs for Directors, which are recognized under other costs.

REMUNERATION OF SENIOR EXECUTIVES

2022	Basic salary / Director's fee	Variable re- muneration	Benefits	Pension costs	Other remuneration	Total remuneration
Chairman Anders Fransson	0.2	-	-	-	-	0.2
Director Catharina Lagerstam	0.2	-	-	-	-	0.2
Director Annika Ölme	0.1	-	-	-	-	0.1
Director Jan Molin	0.1	-	-	-	-	0.1
Director Matilda Wernhoff	0.1	-	-	-	-	0.1
Director Jörgen Hermansson	0.1	-	-	-	-	0.1
CEO Johan Friberg	1.6	0.3	0.1	0.4	-	2.4
Other senior executives (3 persons)	2.6	0.4	0.1	0.6	-	3.7
TOTAL	5.0	0.7	0.2	1.0	-	6.9

2021	Basic salary / Director's fee	Variable re- muneration	Benefits	Pension costs	Other remuneration	Total remuneration
Chairman Thomas Wernhoff	0.2	-	-	-	-	0.2
Director Catharina Lagerstam	0.2	-	-	-	-	0.2
Director Örjan Johansson	0.1	-	-	-	-	0.1
Director Hans Malm	0.1	-	-	-	-	0.1
Director Annika Ölme	0.1	-	-	-	-	0.1
Director Anders Fransson	0.1	-	-	-	-	0.1
CEO Johan Friberg	1.4	0.0	0.1	0.4	-	1.9
Other senior executives (2 persons)	1.4	-	0.0	0.3	-	1.7
TOTAL	3.6	0.0	0.1	0.7	0.0	4.4

Comments on the tables

Other senior executives refer to the persons who, together with the Chief Executive Officer, comprise the Group management. For more information on pensions, see below.

Policies

The remuneration of the Board of Directors is decided by the Annual General Meeting. Fees are paid to the Chair of the Audit and Remuneration Committee as decided by the AGM. The entire Board constitutes the Remuneration Committee. Remuneration to the CEO consists of basic salary, variable salary (bonus), and pension. Other senior executives' remuneration consists of basic salary, variable salary (bonus), and pension. Variable remuneration of MSEK 0.3 (0.0) has been paid to the CEO for the 2022 financial year. Variable remuneration has been paid to other senior executives of MSEK 0.4 (0.0).

Remuneration and other benefits

In accordance with the general meeting's decision on fees to the Board, MSEK 1.2 (1.1) has been expensed in 2022, of which MSEK 0.2 (0.2) to the Chairman of the Board. For Johan Friberg, salary and other remuneration amounting to MSEK 1.9 and pension payments of MSEK 0.4 have been expensed in 2022. For other senior executives, there are premium-based pensions within the framework of the general pension plan.

Pensions

Pension costs refer to the cost that has affected the profit for the year. All pension commitments in the Group are fee-based. The Swedish Company has no signed agreement with Alecta. The pension agreement for senior executives states that the premium shall amount to 15–30 percent of the pensionable salary. The retirement age for all senior executives is 65 years.

Warrants

The 2021 Annual General Meeting resolved on an incentive program consisting of 2,000,000 warrants expiring on August 31, 2024, with an exercise price of SEK 2.0. Upon full utilization, the Company's share capital will increase by SEK 210,000.00 and equity by MSEK 4.0. The exercise period takes place in August 2024.

Severance pay

All senior executives are deprived of the right to severance pay.

MEMBERS OF THE BOARD	2022	2021
Men	3	4
Women	3	2
Total	6	6
MANAGEMENT TEAM (INCLUDING CEO)		
Men	3	2
Women	2	1
Total	5	3
EMPLOYEE DISTRIBUTION	2022	2021
PARENT COMPANY		
Men	1	1
Women	1	-
Total	2	1
Group Companies	70	81
Group total	72	82
Of which in		
SWEDEN		
Men	50	51
Women	9	7
Total	59	58
FINLAND		
Men	10	18
Women	1	2
Total	11	22
NORWAY		
Men	2	2
Women	-	-
Total	2	2
GROUP TOTAL		
Men	62	73
Women	10	9
TOTAL	72	82

NOTE 9

AUDITORS' REMUNERATION

Audit assignments refer to the auditors' remuneration for the statutory audit. The work includes the audit of the Annual Report and accounts, the administration of the Board of Directors and the Chief Executive Officer, and fees for audit advice provided in connection with the audit assignment. Audit activities other than the audit assignment relate to the review of the quarterly report and other quality assurance services.

	GROUP	
	2022	2021
PricewaterhouseCoopers*		
Audit assignment	0.9	1.0
Audit activities other than the audit assignment	-	-
Tax advice	-	-
Other assignments	-	-
OTHER AUDITORS		
Audit assignment	0.1	0.0
Audit activities other than the audit assignment	-	-
Tax advice	-	-
TOTAL	1.0	1.0

	PARENT COMPANY	
	2022	2021
PricewaterhouseCoopers*		
Audit assignment	0.7	0.6
Audit activities other than the audit assignment	0.0	-
Tax advice	-	-
Other assignments	-	-
OTHER AUDITORS		
Audit assignment	0.0	-
Audit activities other than the audit assignment	0.0	-
Tax advice	-	-
TOTAL	0.7	0.6

* As of the 2017 financial year, information is provided on the proportion of the Group's total remuneration to auditors that relates to the audit firm elected by the Annual General Meeting in Sweden. In 2022, MSEK 0.7 (0.6) referred to remuneration to PricewaterhouseCoopers AB in Sweden.

NOTE 10 OTHER OPERATING INCOME AND COSTS

	GROUP	
	2022	2021
Other operating income		
Exchange differences	0.8	0.0
Total	0.8	0.8
Other operating costs		
Customer losses	-	-
Exchange differences	-	-
TOTAL	0.8	0.0

	PARENT COMPANY	
	2022	2021
Other operating income		
Exchange differences	-	-
Total	-	-
Other operating costs		
Customer losses	-	-
Exchange differences	-	-
TOTAL	-	-

NOTE 11 GROUP CONTRIBUTIONS

The Parent Company has received Group contributions totaling MSEK 20.5 (6.6). Image Systems Nordic AB contributed MSEK 11.5 (6.6) of this total Group contribution and RemaSawco AB MSEK 9.0 (0.0).

NOTE 12 TAXES

RECOGNIZED IN THE INCOME STATEMENT

(MSEK)	GROUP	
	2022	2021
Income tax	-	-
Deferred tax	0.6	0.6
TOTAL TAX ON PROFIT FOR THE YEAR	0.6	0.6

(MSEK)	PARENT COMPANY	
	2022	2021
Income tax	-	-
Deferred tax	-	1.1
TOTAL TAX ON PROFIT FOR THE YEAR	-	1.1

EFFECTIVE TAX RECONCILIATION

	GROUP	
	2022	2021
Reported profit before tax	8.0	-0.5
Tax at the current rate of 20.6%	-1.7	0.1
Reported tax on profit for the year	0.6	0.6
Difference	2.3	0.5
The difference is explained by:		
Tax effect of non-deductible items	-1.4	-1.8
Tax effect of non-taxable revenue	0.1	0.1
Effect of foreign tax rate differences	-	-
Increase in loss carryforwards without corresponding capitalization of tax losses	-	-
Consumption of loss carryforwards not capitalized in prior years	3.6	2.2
Capitalization of loss carryforwards	-	-
TOTAL	2.3	0.5

	PARENT COMPANY	
	2022	2021
Reported profit before tax	-34.5	3.8
Tax at the current rate of 20.6%	7.1	-0.8
Reported tax on profit for the year	0.0	1.1
Difference	-7.1	1.9
The difference is explained by:		
Tax effect of non-deductible items	-10.3	0.0
Tax effect of non-taxable revenue	-	-
Effect of foreign tax rate differences	-	-
Increase in loss carryforwards without corresponding capitalization of tax losses	-	-
Consumption of loss carryforwards not capitalized in prior years	3.2	0.8
Capitalization of loss carryforwards	-	1.1
TOTAL	-7.1	1.9

DEFERRED TAX ASSETS

	GROUP	
	2022	2021
Opening acquisition value	19.1	19.1
Acquisitions in the year	-	-
Reclassification	-	-
Utilization for the year	-	-
CLOSING CARRYING AMOUNT	19.1	19.1

	PARENT COMPANY	
	2022	2021
Opening acquisition value	12.0	10.9
Acquisitions in the year	-	-
Reclassification	-	-
Utilization for the year	-	1.1
CLOSING CARRYING AMOUNT	12.0	12.0

The Group's loss carryforwards amount to approximately MSEK 237 (252), of which MSEK 237 (252) can be utilized without a time limit. Deferred tax assets relating to unused loss carryforwards are recognized when the Company considers it probable that taxable profits will be available in the foreseeable future (IAS 12). It is estimated that loss carryforwards of MSEK 93 in 2022 can be utilized over the next five years, corresponding to a deferred tax asset of MSEK 19.1. The deferred tax asset consists mainly of loss carryforwards.

The Parent Company's loss carryforwards of MSEK 202 (218) may be affected by significant changes in ownership. Image Systems AB has recognized a deferred tax asset of MSEK 12.0 (12.0).

DEFERRED TAX LIABILITIES

	GROUP	
	2022	2021
Opening acquisition value	6.6	7.2
Acquisitions in the year	-	-
Utilization for the year	-0.6	-0.6
CLOSING CARRYING AMOUNT	6.0	6.6

The Group's deferred tax liabilities arise from the acquisition of RemaSawco OY and will be linearly dissolved over 10 years.

NOTE 13 INTANGIBLE FIXED ASSETS

IMPORTANT ESTIMATES AND ASSESSMENTS FOR ACCOUNTING PURPOSES

Image Systems' most important accounting policies are mainly described in note 2 Accounting policies. The preparation of Image Systems AB's consolidated financial statements requires a number of estimates and assumptions to be made that may affect the reported amounts of assets, liabilities, and provisions at the time of preparing the financial statements. In preparing the financial statements, the Image Systems Group has made the best possible assessment of a number of amounts in the financial statements, taking into account their relevance and significance. These assessments may result in actual outcomes inconsistent with previously made estimates, as future results are currently unknown. In accordance with IAS 1, the Company shall disclose specifically which accounting policies may be affected by estimates and assumptions made and which, if outcomes are not consistent with the estimates made, may have a significant effect on the financial statements. The sources of uncertainty identified by the Image Systems Group that are deemed to meet these criteria are described in note 14 Goodwill, note 15 Trademarks, and note 16 Customer relations for impairment testing of intangible assets.

SOURCES OF UNCERTAINTY IN ESTIMATES

Intangible fixed assets, except for goodwill, are written off over their estimated useful lives. The estimated useful lives are based on an estimate of the period over which the assets will generate revenue. If there is an indication on the balance sheet date that an intangible fixed asset is impaired, the asset's recoverable amount will be calculated. The recoverable amount is the higher of the asset's net selling price and value-in-use, based on the management's estimate of future cash flows. If the estimated recoverable amount is less than the carrying amount, the asset is written down to its recoverable amount. To determine the recoverable amount, estimated future cash flows are used, which are based on internal business plans and forecasts. Even if management believes that estimated future cash flows are reasonable, other assumptions regarding cash flows may significantly affect the measurements made.

Goodwill with an indefinite useful life is tested for impairment annually, or more frequently if necessary, by calculating its value. These calculations require management to determine the fair value of the Group's cash-generating units based on projected cash flows and internal business plans and forecasts. Excess value varies between the different activities and is therefore sensitive to different degrees of changes in assumptions and external factors. See further note 14.

The intangible assets consist of acquired goodwill, acquired customer relations, and trademarks related to the acquisition of RemaSawco; acquired customer relations, and trademarks related to the acquisition of Image Systems Nordic; and acquired goodwill, and acquired customer relations related to RemaSawco OY. For further description and explanation of the assessment of the useful life, see notes 14, 15, and 16.

NOTE 14 GOODWILL

Goodwill is recognized as an intangible fixed asset with an indefinite useful life. For non-depreciable assets such as goodwill, an annual impairment test is carried out by calculating the asset's recoverable amount, except when there is an indication of impairment. If the estimated recoverable amount is less than the carrying amount, the asset is written down to its recoverable amount.

The recoverable amount of a cash-generating unit has been determined based on the calculated value in use. The main assumptions in the value-in-use calculations relate to growth rates, profit margins, investment requirements, changes in working capital requirements, and discount rates. Image Systems estimates future cash flows based on the latest business plan approved by management (budget for 2023 and forecast for 2024–2027) for the cash flow generating segments RemaSawco and Motion Analysis.

Management has estimated future cash flows based on past performance, achieved growth, and expectations of future market development. During 2023–2025, the cash-generating units are expected to show positive growth compared to 2022. Sales during the forecast period are expected to grow by four (4) percent per year, and the margin improvement is expected to increase by two (3) percentage points over the period. Cash flows beyond the forecast period are extrapolated using an estimated growth rate of two (2) percent. The growth rate beyond the three-year period is not expected to exceed the long-term growth rate of the industry in which the Company operates. The discount rates used are stated pre-tax and reflect the prevailing interest rate environment (risk-free rate) and the other specific risks assessed for the cash-generating activities. The pre-tax discount rate (WACC) in the Company's estimate is 13.2 percent (10.1) for both cash-generating units.

The Image Systems Group has also tested whether an increase in the discount rate would result in an impairment. An increase in the discount rate by 5 percentage points would not result in an impairment for RemaSawco. The carrying amount of goodwill in the cash-generating units Motion Analysis and RemaSawco is MSEK 0 and MSEK 36.1, respectively.

	GROUP	
	2021	2020
Opening acquisition value	36.1	36.1
Acquisitions in the year	-	-
CLOSING ACCUMULATED ACQUISITION VALUE	36.1	36.1

RemaControl and Sawco were acquired in 2012. A goodwill amount of MSEK 10.5 was established at the time of the acquisition. In 2018, Limab Oy (renamed RemaSawco OY) was acquired. The goodwill amount for RemaSawco Oy has been adjusted in spring 2019 and set at MSEK 25.6 and is thus not affected by currency effects.

NOTE 15 TRADEMARKS

	GROUP	
	2022	2021
Opening acquisition value	19.5	19.5
Closing accumulated acquisition value	19.5	19.5
Opening depreciation and amortization	-18.5	-17.3
Depreciation for the year according to plan	-1.0	-1.2
Closing accumulated depreciation/amortization	-19.5	-18.5
CLOSING CARRYING AMOUNT	0.0	1.0

In the acquisition of RemaSawco, trademarks with a value of MSEK 10.0 were identified. RemaSawco has well-established and well-known trademarks in the Nordic sawmill industry. The useful life was set at the time of acquisition at 15 years. In 2014, however, a new analysis was made regarding the useful life, which was then changed to 10 years, which means that the trademarks are written off by MSEK 1.0 per year until 2022.

NOTE 16 CUSTOMER RELATIONS

	GROUP	
	2022	2021
Opening acquisition value	84.5	84.5
Acquisitions in the year	-	-
Closing accumulated acquisition value	84.5	84.5
Opening depreciation and amortization	-56.0	-48.4
Depreciation for the year according to plan	-4.8	-7.6
Closing accumulated write-downs	-60.8	-56.0
CLOSING CARRYING AMOUNT	23.7	28.5

Customer relations refer partly to customer relations in the Motion Analysis business unit, which was acquired in connection with the acquisition of Image Systems Nordic, amounting to MSEK 9.1, and partly to customer relations in RemaSawco, which was acquired in March 2012, amounting to MSEK 29.9.

The useful life of the above customer relations has been set at 10 years, which means that customer relations are written off with an amount of MSEK 3.9 per year until 2022.

On June 1, 2018, customer relations of MSEK 43.7 were added through the acquisition of RemaSawco OY. The depreciation/amortization period has been set at 10 years, meaning that customer relationships are written off by MSEK 4.4 per year until 2028.

NOTE 17

CAPITALIZED DEVELOPMENT COSTS

	GROUP	
	2022	2021
Opening acquisition value	41.5	33.4
Through acquisitions	-	-
Acquisitions in the year	9.9	8.1
Disposals	-	-
Reclassification	-	-
Recalculation difference	0.0	-
Closing accumulated acquisition value	51.4	41.5
Opening depreciation and amortization	-9.7	-6.9
Depreciation for the year according to plan	-6.7	-2.8
Recalculation difference	0.1	-
Closing accumulated write-downs	-16.3	-9.7
CLOSING CARRYING AMOUNT	35.1	31.8

Expenditure on specific development projects is capitalized as follows: Capitalization of the Group's development costs is only done for new products if the expenses are significant, the products have a likely profit potential expected to accrue to the Company, and the expenses are clearly separable from the ongoing product development costs. Depreciation/amortization is calculated on a straight-line basis over the estimated useful life of the asset. Any need for impairment is evaluated on an ongoing basis.

Capitalized development costs relate to six development projects in RemaSawco (of which two projects are fully written off in 2022) and two development projects in Image Systems Nordic AB.

NOTE 18

EQUIPMENT, TOOLS, AND INSTALLATIONS

EQUIPMENT, TOOLS, AND INSTALLATIONS	GROUP	
	2022	2021
Opening acquisition value	42.2	38.6
Through acquisitions	-	-
Purchases of the year	0.0	0.1
Disposals	-	-
Right-of-use assets	-3.6	2.8
of which remeasurements	-1.9	2.6
of which purchases for the year	2.6	1.7
of which disposals	-4.3	-1.5
Reclassifications	0.2	0.7
Recalculation difference	0.4	-
Closing accumulated acquisition value	39.2	42.2
Opening depreciation/amortization	-19.0	-13.1
Disposals	0.0	0.1
Depreciation/amortization for the year	-1.3	-1.6
Right-of-use assets	-1.0	-4.3
of which depreciation/amortization for the year	-5.6	-5.7
of which disposals	3.8	0.8
of which adjustments	0.8	-
Reclassifications	-0.2	-0.1
Recalculation difference	-0.2	-
Closing accumulated depreciation/amortization	-21.7	-19.0
CLOSING CARRYING AMOUNT	17.5	23.2

NOTE 19 LEASING

INFORMATION ABOUT LEASING IN 2022

	Dec 31, 2022	Dec 31, 2021
Right-of-use assets		
Properties	12.1	16.5
Motor vehicles	1.8	2.0
TOTAL	13.9	18.5

Right-of-use assets are recognized as tangible fixed assets, see further note 18.

	Dec 31, 2022	Dec 31, 2021
Lease liabilities		
Non-current lease liabilities	8.5	12.8
Current lease liabilities	4.9	5.2
TOTAL	13.4	18.0

	Dec 31, 2022	Dec 31, 2021
Depreciation for the year by type of right-of-use asset		
Properties	4.6	4.7
Motor vehicles	1.0	0.9
Total	5.6	5.6

	Dec 31, 2022	Dec 31, 2021
The due date for future payments included in the lease liability as of Dec 31, 2022		
Paid within one year	4.9	5.2
Paid within one to five years	8.5	12.8
Paid later than five years	0.0	0.0
TOTAL FUTURE LEASE PAYMENTS	13.4	18.0

The maturity analysis for lease liabilities is presented in note 3.

OTHER INFORMATION

	Dec 31, 2022	Dec 31, 2021
Interest relating to lease commitments included in net financial items for the full year 2022	0.5	0.7
Payments for rental contracts and leases will burden the cash flow for 2022 with	5.8	5.2
Investments during 2022 in right-of-use assets	0.8	4.3
Contracted future investments in rights-of-use as of December 31, 2022, that have not yet been recognized amount to	9.2	-

The Group has no outstanding short-term leases and has no low-value lease assets.

The reporting of leasing costs in the form of depreciation/amortization of right-of-use assets and interest expense has reduced the operating profit for 2022 by approximately MSEK 0.0 (0.6) compared with the reporting according to previously applicable policies. Operating profit before depreciation/amortization has improved by MSEK 6.0 (5.7).

The Group has, during the year, paid MSEK 6.7 (6.2) in leasing fees under the terms of the existing agreement. Of the Group's costs for leasing agreements, 87 percent (84) relates to rental contracts for premises, and the remainder relates to leased cars. There are no contracts with variable fees.

The Parent Company paid MSEK 0.1 (0.2) in leasing fees during the year.

The maturity analysis for lease liabilities is presented in note 3.

NOTE 20 SHARES IN SUBSIDIARIES

	PARENT COMPANY	
	2022	2021
Opening acquisition value	131.2	131.2
Acquisitions in the year (shareholder contribution and write-down)	-48.4	-
CLOSING ACQUISITION VALUE	82.8	131.2

In 2022, a shareholder contribution of MSEK 1.6 was made to RemaSawco Oy. At a later date during the year, the shares in the Finnish subsidiary were written down by MSEK 50, as most of the business will be handled in the future by the Swedish subsidiary RemaSawco AB.

THE GROUP INCLUDES THE FOLLOWING SUBSIDIARIES

Subsidiary	Capital share	Proportion of voting rights	Number of shares	Book value	
				2022	2021
Image Systems Nordic AB	100%	100%	541,125	10.0	10.0
RemaSawco AB	100%	100%	1,000	46.1	46.1
RemaSawco OY	100%	100%	1,000	26.7	75.1
TOTAL BOOK VALUE				82.8	131.2

INFORMATION ON THE REGISTERED OFFICES OF SUBSIDIARIES

Company	Registration number	Residence
Image Systems Nordic AB	556550-5400	Linköping, Sweden
RemaSawco AB	556241-9365	Linköping, Sweden
RemaSawco OY	0882861-1	Mikkeli, Finland
Other Group Companies		
Image Systems Trackeye Inc,	4521078	Delaware, USA
RemaSawco International AB, dormant	556731-1948	Linköping, Sweden
RemaSawco AS	985272808	Kongsvinger, Norway

NOTE 21 INVENTORIES

	GROUP	
	2022	2021
Output stocks	13.6	11.9
TOTAL	13.6	11.9

NOTE 22 OTHER CURRENT RECEIVABLES

	GROUP	
	2022	2021
Non-invoiced project revenue	0.5	7.0
Tax asset	0.4	0.5
Vendor note	2.8	3.3
Other	0.3	0.3
TOTAL	4.0	11.1

	PARENT COMPANY	
	2022	2021
Non-invoiced project revenue	-	-
Tax asset	0.2	0.2
Vendor note	2.3	3.3
Other	0.1	0.1
TOTAL	2.6	3.6

NOTE 23 PREPAID EXPENSES AND ACCRUED INCOME

	GROUP	
	2022	2021
Prepaid rents	0.7	0.4
Prepaid leasing fees	0.1	0.0
Prepaid insurance premiums	0.4	0.4
Other prepayments	1.0	1.2
Accrued income	0.8	2.4
TOTAL	3.0	4.4

	PARENT COMPANY	
	2022	2021
Prepaid rents	-	-
Prepaid leasing fees	0.0	0.0
Prepaid insurance premiums	0.2	0.2
Other prepayments	0.2	0.2
Accrued income	-	-
TOTAL	0.4	0.4

NOTE 24 LOANS FROM CREDIT INSTITUTIONS

	GROUP	
	2022	2021
Non-current loans from credit institutions	0.4	2.3
Current loans from credit institutions	5.0	4.6
TOTAL	5.4	6.9

	PARENT COMPANY	
	2022	2021
Non-current loans from credit institutions	-	-
Current loans from credit institutions	-	-
TOTAL	-	-

Loans from credit institutions consist partly of an overdraft facility that has been utilized by MSEK 2.8 (2.6) and partly of other bank loans of MSEK 2.5 (4.3). Chattel mortgages secure the loans. There are no further covenants. The unutilized part of the credit facility amounted to MSEK 15.7 (15.4).

NOTE 25

RECONCILIATION OF NET DEBT

Net debt and changes in net debt are analyzed below for the periods presented.

	GROUP	
	2022	2021
Cash and cash equivalents	22.5	7.1
Loan liabilities (including overdraft facility)	5.4	6.9
Lease liability	13.4	18.0
Net debt	-3.7	17.8
Cash and cash equivalents	22.5	7.1
Gross debt with fixed interest rate	13.4	18.0
Gross debt with variable interest rate	5.4	6.9
Net debt	-3.7	17.8

NOTE 26

FINANCIAL INSTRUMENTS

FAIR VALUE

The carrying amount of short-term receivables corresponds to their fair value. The fair value of receivables with variable interest rates corresponds to their carrying amount. Most of the interest-bearing liabilities have floating interest rates, so the carrying amount at the balance sheet date corresponds to their fair value. The Group has not used any derivative instruments for either assets or liabilities. Nor does the Group have any assets classified as available for sale.

ASSETS IN THE BALANCE SHEET CLASSIFIED AS LOANS AND RECEIVABLES

	GROUP	
	2022	2021
Trade and other receivables	24.1	33.2
Cash and cash equivalents	22.5	7.1
TOTAL	46.6	40.3

	PARENT COMPANY	
	2022	2021
Liabilities to credit institutions	11.9	4.8
Accounts payable	0.3	0.2
TOTAL	12.2	5.0

LIABILITIES ON THE BALANCE SHEET CLASSIFIED AS OTHER FINANCIAL LIABILITIES AT AMORTIZED COST

	GROUP	
	2022	2021
Liabilities to credit institutions	5.4	6.9
Accounts payable	12.6	16.1
Lease liability	13.4	18.0
TOTAL	31.4	41.0

	PARENT COMPANY	
	2022	2021
Liabilities to credit institutions	-	-
Accounts payable	0.6	0.7
Lease liability	-	-
TOTAL	0.6	0.7

NOTE 27

TRANSACTIONS WITH RELATED PARTIES

Remuneration and terms of employment contracts for senior executives and individual Directors are set out in note 8. The Company has not provided any guarantees or sureties to or for the benefit of the Directors or senior executives. During the current or previous financial year, none of the Directors or senior executives has had any direct or indirect involvement in business transactions with the Company which are or were unusual in nature or in their terms and which in any respect remain unsettled or unresolved.

Purchases and sales between the Parent Company and subsidiaries, and between the subsidiaries alone, have been made on market terms and have been eliminated in the Group.

Warrant program

The 2021 Annual General Meeting resolved on an incentive program consisting of 2,000,000 warrants expiring on August 31, 2024, with an exercise price of SEK 2.0. Upon full utilization, the Company's share capital will increase by SEK 210,000.00 and equity by MSEK 4.0. See further note 8. The Company has issued 2,000,000 warrants at a price of 10.50 öre per warrant.

NOTE 28

ACCRUALS AND DEFERRED INCOME

	GROUP	
	2022	2021
Personnel related costs	10.5	10.4
Accrued board, audit, and consultancy fees	2.6	2.1
Prepaid service contracts	8.0	4.7
Other items	0.3	0.8
TOTAL	21.4	18.0

	PARENT COMPANY	
	2022	2021
Personnel related costs	0.6	0.2
Accrued board, audit, and consultancy fees	0.4	1.0
Prepaid service contracts	-	-
Other items	-	-
TOTAL	1.0	1.2

NOTE 29

COLLATERAL PROVIDED AND CONTINGENT LIABILITIES

	GROUP	
	2022	2021
COLLATERAL PROVIDED		
Chattel mortgages	55.3	47.8
TOTAL	55.3	47.8
CONTINGENT LIABILITIES		
Advance payment guarantees	22.1	5.1

	PARENT COMPANY	
	2022	2021
COLLATERAL PROVIDED		
Chattel mortgages	11.3	11.3
TOTAL	11.3	11.3
CONTINGENT LIABILITIES		
Advance payment guarantees	-	-

Advance payment guarantees refer in their entirety to bank guarantees provided on advances received within RemaSawco.

NOTE 30 ADJUSTMENTS FOR NON-CASH ITEMS

	GROUP	
	2022	2021
Depreciation/amortization of assets	19.3	18.6
Unrealized exchange rate differences	-	-0.2
Other items	-2.6	-6.0
TOTAL	16.7	12.4

	PARENT COMPANY	
	2022	2021
Depreciation/amortization of assets	-	-
Unrealized exchange rate differences	-	-0.3
Other items	29.4	-7.7
TOTAL	29.4	-8.0

NOTE 31 FINANCING ACTIVITIES

GROUP (MSEK)	Cash and cash equivalents	Loans from credit institutions	Current lease liabilities	Non-current lease liabilities	Total
Net debt as of January 1, 2021	3.8	-11.4	-3.8	-15.9	-27.3
Cash flow	3.3	4.5	-1.4	3.1	9.5
Net debt as of December 31, 2021	7.1	-6.9	-5.2	-12.8	-17.8
Cash flow	15.4	1.5	0.3	4.3	21.5
Net debt as of December 31, 2022	22.5	-5.4	-4.9	-8.5	3.7

Cash and cash equivalents refer to bank balances in SEK, USD, EUR, and NOK.

NOTE 32 EARNINGS PER SHARE

	2022	2021
Of which attributable to Parent Company shareholders, MSEK	8.6	0.1
Earnings per share in SEK, before dilution	0.10	0.00
Earnings per share in SEK, after dilution	0.10	0.00
The weighted average number of shares before dilution	89,207,818	89,207,818
The weighted average number of shares after dilution	89,207,818	89,207,818

NOTE 33 PROPOSAL ON ALLOCATION OF PROFITS

At the disposal of the Annual General Meeting is:	MSEK
Retained earnings	130.7
Net profit for the year	-34.5
TOTAL	96.2

The Board proposes:	MSEK
to carry forward	96.2
TOTAL	96.2

NOTE 34

EVENTS AFTER THE BALANCE SHEET DATE

Emilien Saindon, CEO of the RemaSawco business unit, has been appointed Vice President.

NOTE 35

SHARE INFORMATION

SHARE CAPITAL

The share capital as of 2022-12-31 in Image Systems amounts to SEK 8,920,781.80, divided into 89,207,818 shares with a quota value of SEK 0.10 per share. According to Image Systems' Articles of Association, the share capital shall amount to a minimum of SEK 8,500,000 and a maximum of SEK 34,000,000. The number of shares shall be not less than 85.0 million and not more than 340.0 million.

All issued shares are fully paid up and carry equal rights to the Company's assets and profits, and entitle the holder to one vote. In the case of a liquidation of the Company, shareholders are entitled to a share of the surplus in proportion to the number of shares they hold. The shares in Image Systems have been issued under Swedish law and are denominated in Swedish kronor (SEK). The shares are registered in electronic form and are accounted for by Euroclear Sweden AB according to the reconciliation provision in the Articles of Association. Share certificates are not issued. There are no restrictions on the transferability of the shares. The Company's share is neither subject to an offering made as a result of a mandatory bid, redemption right, or redemption obligation.

SHARE CAPITAL DEVELOPMENT

The number of issued shares at the beginning of the period was 89,207,818, with a quota value of SEK 0.10 per share. At the end of the period, the number of issued shares was 89,207,818 with a quota value of SEK 0.10 per share.

THE BOARD'S ATTESTATION



The Consolidated Accounts and the Annual Report have been prepared in accordance with the international accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of July 19, 2002, on the application of international accounting standards and generally accepted accounting policies and give a true and fair view of the Group's and the Parent Company's financial position and performance. The statutory administration report for the Group and the Parent Company gives a true and fair view of the performance of the Group's and the Parent Company's operations, financial position, and profit or loss, and describes the significant risks and uncertainties facing the Parent Company and the Group Companies.

Linköping, April 7, 2023

Anders Fransson
Chairman of the Board

Catharina Lagerstam
Director

Jan Molin
Director

Matilda Wernhoff
Director

Annika Ölme
Director

Jörgen Hermansson
Director

Johan Friberg
Chief Executive Officer

Our audit report was issued on April 7, 2023.

PricewaterhouseCoopers AB

Nicklas Kullberg
Authorized Public Accountant

AUDIT REPORT



To the general meeting of Image Systems AB (publ), reg. no. 556319-4041

REPORT ON THE ANNUAL REPORT AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the Annual Report and Consolidated Accounts of Image Systems AB (publ) for the year 2022. The Company's Annual Report and Consolidated Accounts are included on pages 34–72 of this document.

In our opinion, the Annual Report has been prepared in accordance with the Swedish Annual Accounts Act and presents a true and fair view, in all material respects, of the Parent Company's financial position as of December 31, 2022, and of its financial performance and cash flow for the year according to the Swedish Annual Accounts Act. The Consolidated Accounts have been prepared according to the Swedish Annual Accounts Act and present a true and fair view, in all material respects, of the Group's financial position as of December 31, 2022, and of its financial performance and cash flow for the year in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Swedish Annual Accounts Act. The statutory administration report is consistent with the other parts of the Annual Report and Consolidated Accounts.

Therefore, we recommend that the Annual General Meeting adopts the income statement and balance sheet of the Parent Company and the Group.

Our opinions in this audit on the Annual Report and Consolidated Accounts are consistent with the content of the supplementary report submitted to the Audit Committee of the Parent Company and the Group in accordance with Article 11 of the Audit Regulation (537/2014).

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under these standards are further described in the Auditor's responsibility section. We are independent of the Parent Company and the Group under good auditing practice in Sweden and have otherwise fulfilled our professional, ethical responsibilities under these requirements. This includes that, to the best of our knowledge and belief, no prohibited services referred to in Article 5.1 of the Audit

Regulation (537/2014) have been provided to the audited Company or, where applicable, its Parent Company or its controlled Companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Focus and scope of the audit

We designed our audit by determining the materiality level and assessing the risk of material errors in the financial statements. In particular, we considered the areas where the Chief Executive Officer and the Board of Directors made subjective assessments, such as significant accounting estimates based on assumptions and forecasts of future events, which are inherently uncertain. We also considered, as in all audits, the risk of override of internal controls by the Board and the CEO and considered, among other things, whether there is evidence of systemic deviations giving rise to a risk of material misstatements due to fraud.

We tailored the scope of our audit to perform sufficient work to provide an opinion on the financial statements as a whole, taking into account the structure of the Company and the Group, the accounting processes and controls, and the industry in which the Group operates.

Materiality

The scope and focus of the audit were influenced by our assessment of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements contain any material misstatements. Such misstatements can occur as a result of fraud or error. They are considered material if, individually or collectively, they could reasonably be expected to influence the economic decisions made by users on the basis of the financial statements.

Based on professional judgment, we determined certain quantitative thresholds for materiality, including for the financial reporting as a whole (see the following table). Using these and qualitative considerations, we determined the focus and scope of the audit and the nature, timing, and extent of our audit procedures, as well as assessing the effect of individual and combined misstatements on the financial statements as a whole.

Key audit matters

The key audit matters are those which, in our professional judgment, were of most significance in the audit of the Annual Report and Consolidated Accounts for the current period. These matters were addressed in the context of the audit of, and in forming our opinion on, the Annual Report and Consolidated Accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of ongoing projects in the RemaSawco business unit</p> <p>See also note 2 Accounting policies, note 3 Risks, and notes 5 and 7 (Breakdown of revenue and Operating segments).</p> <p>The Group's total revenue in 2022 amounts to MSEK 171, of which MSEK 137 is attributable to the RemaSawco business unit. Revenue in this business unit is largely attributable to fixed-price projects and is recognized through the percentage-of-completion method. This means that revenue and costs in projects are recognized as the projects are completed. At the balance sheet date, the Company needs to calculate and evaluate the relationship between the expenditure incurred and the total estimated expenditure in each project. We consider this to be a key audit matter as this valuation is based on significant estimates and assessments and as the business unit represents a significant part of the total revenue of the Group.</p>	<p>Our audit includes evaluating the applied policies for revenue recognition, an evaluation of the internal controls and procedures of the Company related to revenue recognition, and an analytical review of revenue and accruals in the balance sheet. Our audit also includes a review of the Company's calculation files linked to the percentage-of-completion method and a detailed review of selected projects against supporting documentation to ensure the existence and accuracy of the data on which the calculations are based. The results of these audits did not give rise to any significant audit observations.</p>
<p>Valuation of intangible assets related to the RemaSawco business unit</p> <p>See also note 2 Accounting policies, note 3 Risks and notes 14–17 (Goodwill, Trade-marks, Customer relations, Capitalized development costs).</p> <p>Goodwill and other intangible assets form a significant part of the Group's balance sheet and are sensitive to potential impairment. Under IFRS, management shall perform annual impairment testing of the assets, including an assessment of, for example, expected future cash flows, expected future growth, and discount rates. This requires a high degree of judgment and subjectivity and can be influenced by external factors.</p> <p>The Company's impairment test has not resulted in any impairment.</p>	<p>Our audit includes a combination of evaluating internal control over financial reporting, analytical examination, and detailed assessment of management's judgment regarding the capitalization of deferred taxes. In our audit, we have examined forecasts of future earnings and reviewed the Company's deferred tax asset calculations. The results of these audits did not give rise to any significant audit observations.</p> <p>We have verified that the cash flow forecasts are consistent with the budget prepared by management. We have reviewed the methodology of the valuation models with the support of internal valuation specialists.</p> <p>We have assessed the content of the information on impairment testing provided in the Annual Report. The results of these audits did not give rise to any significant audit observations.</p>
<p>Valuation of deferred tax assets</p> <p>See also note 1 Accounting policies and note 12 Taxes.</p> <p>In cases where the accounting rules are not fully aligned with the tax rules, the tax and accounting values of assets and liabilities may differ, whereby tax in the accounts does not correspond to the calculated tax under the accounting rules. If the difference affects taxation in a future period, these are called temporary differences, on which deferred tax is recognized. Deferred tax assets relating to losses are recognized to the extent that there is "convincing evidence" that the amounts can be used against future taxable profits. The Group has made the assessment that the tax loss carryforwards will be able to be used against future taxable profits and therefore recognizes deferred tax assets totaling MSEK 19.1.</p> <p>The Company's impairment test has not resulted in any impairment.</p>	<p>Our audit includes a combination of evaluating internal control over financial reporting, analytical examination, and detailed assessment of management's judgment regarding the capitalization of deferred taxes. In our audit, we have examined forecasts of future earnings and reviewed the Company's deferred tax asset calculations. The results of these audits did not give rise to any significant audit observations.</p>

Information other than the Annual Report and Consolidated Accounts

This document also contains information other than the Annual Report and Consolidated Accounts, which can be found on pages 1–23, 30–34. The Board of Directors and the Chief Executive Officer are responsible for this other information.

The information in the “Remuneration Report 2022” published on the Company’s website at the same time as this report also constitutes other information. This other information is provided in a document that does not include the Annual Report, i.e., a remuneration report that we obtained before the date of this audit report. The Board and the CEO are responsible for this other information.

Our opinion on the Annual Report and the Consolidated Accounts does not cover this information, and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the Annual Report and Consolidated Accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the Annual Report and Consolidated Accounts. In this procedure, we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we conclude, based on the work performed concerning this information, that there is a material misstatement in this other information, we are required to report this. We have nothing to report in that regard.

Responsibilities of the Board of Directors and the CEO

The Board of Directors and the Chief Executive Officer are responsible for the preparation and fair presentation of the Annual Report and the Consolidated Accounts under the Swedish Annual Accounts Act and, as regards the Consolidated Accounts, under IFRS as adopted by the EU and the Swedish Annual Accounts Act. The Board and the CEO are also responsible for any internal control they deem necessary to prepare an Annual Report and Consolidated Accounts free from material misstatement, whether due to fraud or error.

In preparing the Annual Report and Consolidated Accounts, the Board of Directors and the Chief Executive Officer are responsible for assessing the Company’s and the Group’s ability to continue as a going concern. They disclose, when applicable, conditions that may affect the ability to continue operations and to use the assumption of continued operations. However, the going concern assumption is not applied if the Board and the CEO intend to liquidate the Company, cease operations, or have no realistic alternative but to do so.

Auditor’s responsibility

Our objectives are to obtain reasonable assurance about whether the Annual Report and Consolidated Accounts are free from material misstatements, whether due to fraud or error, and to provide an audit report that includes our opinions. Reasonable assurance is a high level of assurance but is no guarantee that an audit conducted under ISA and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in combination, they could reasonably be expected to influence the financial decisions of users on the basis of the Annual Report and Consolidated Accounts.

A further description of our responsibilities for the audit of the Annual Report and Consolidated Accounts can be found on the website of the Swedish Inspectorate of Auditors: www.revisorsinspektionen.se/revisornsansvar. This description is part of the audit report.

REPORT ON OTHER REQUIREMENTS IN ACCORDANCE WITH LAWS AND OTHER STATUTES

Opinion

In addition to our audit of the Annual Report and the Consolidated Accounts, we have also audited the administration of the Board of Directors and the Chief Executive Officer of Image Systems AB (publ) for the year 2022 and the proposed appropriations of the Company’s profit or loss.

We recommend to the Annual General Meeting that the profit be appropriated as proposed in the statutory administration report and that the Directors and the CEO be discharged from liability for the financial year.

Basis for opinions

We have performed the audit following good auditing practice in Sweden. Our responsibility according to this is described in more detail in the section Auditor’s responsibility. We are independent of the Parent Company and the Group under good auditing practice in Sweden and have otherwise fulfilled our ethical responsibilities under these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposed appropriation of the Company’s profit or loss. When proposing a dividend, this includes, among other things, an assessment of whether it is justifiable given the requirements of the nature, scope, and risks of the Company’s and the Group’s activities in terms of the size of the Parent Company’s and the Group’s equity, consolidation needs, liquidity, and general position.

The Board is responsible for the Company’s organization and the management of the Company’s affairs. This includes, among other things, continuously assessing the financial situation of the Company and the Group and ensuring that the organization of the Company is such that the accounting, asset management, and the Company’s financial position, in general, includes satisfactory controls. The Chief Executive Officer shall handle the day-to-day management under the Board’s guidelines and instructions and shall, among other things, take the measures necessary to ensure that the Company’s accounts are kept lawfully and that the assets are managed satisfactorily.

Auditor’s responsibility

Our goal regarding the audit of the administration, and thus our statement on discharge from liability, is to obtain audit evidence in order to assess with a reasonable degree of certainty whether any Director or the Chief Executive Officer in any significant respect has:

- undertaken any action or committed any negligence that may give rise to liability to the Company
- in any other way acted in violation of the Swedish Companies Act, the Swedish Annual Accounts Act, or the Articles of Association.

Our objective in auditing the proposed appropriation of the Company’s profit or loss, and thus our opinion on this, is to assess with a reasonable degree of certainty whether the proposal follows the Swedish Companies Act.

Reasonable assurance is a high level of assurance but is no guarantee that an audit conducted following generally accepted auditing standards in Sweden will always detect actions or omissions that may give rise to liability for damages against the Company or that a proposal for the appropriation of the Company’s profit or loss is not in accordance with the Swedish Companies Act.

A further description of our responsibility for the audit of the administration can be found on the website of the Swedish Inspectorate of Auditors: www.revisorsinspektionen.se/revisornsansvar. This description is part of the audit report.

AUDITOR’S REVIEW OF THE ESEF REPORT

Opinion

In addition to our audit of the Annual Report and the Consolidated Accounts, we have also verified that the Board of Directors and the Chief Executive Officer have prepared the Annual Report and the Consolidated Accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Image Systems AB (publ) for the year 2022.

Our review and opinion relate only to the statutory requirement. In our view, the Esef report has been prepared in a format that allows consistent electronic reporting in all material respects.

Basis for the opinion

We have carried out the review in accordance with FAR's recommendation RevR 18 Auditor's review of the Esef report. Our responsibility under this recommendation is further described in the Auditor's responsibility section. We are independent of Image Systems AB (publ), under good auditing practice in Sweden, and have otherwise fulfilled our ethical responsibilities according to these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of the Board of Directors and the CEO

The Board of Directors and the Chief Executive Officer are responsible for ensuring that the Esef report has been prepared pursuant to Chapter 16, section 4(a) of the Swedish Securities Market Act (2007:528), and that there is such internal control as the Board and the CEO deem necessary to prepare the Esef report free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our task is to express an opinion with reasonable assurance as to whether the Esef report has been prepared, in all material respects, in a format that meets the requirements of Chapter 16, section 4(a) of the Swedish Securities Market Act (2007:528), based on our review.

RevR 18 requires us to plan and perform our audit procedures to obtain reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance but is no guarantee that an audit conducted under RevR 18 and good auditing practice in Sweden will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in combination, they could reasonably be expected to influence the financial decisions of readers on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements and thus has a comprehensive system of quality control that includes documented policies and procedures regarding compliance with ethical requirements, standards for professional practice, and applicable requirements of laws and other statutes.

The audit involves obtaining evidence through various measures that the Esef report has been prepared in a format that enables consistent electronic reporting of the Annual Report and Consolidated Accounts. The auditor selects the procedures to be implemented, including assessing the risks of material misstatement in the reporting, whether due to fraud or error. In making this risk assessment, the auditor takes into account the elements of the internal control that are relevant to how the Board of Directors and the Chief Executive Officer prepare the evidence to design audit procedures that are appropriate given the circumstances, but not to express an opinion on the efficiency of the internal control. The audit also includes evaluating the appropriateness and reasonableness of the assumptions made by the Board and the CEO.

The audit procedures mainly involve validating that the Esef report has been prepared in a valid XHTML format and reconciling the Esef report with the audited Annual Report and Consolidated Accounts.

Furthermore, the audit includes an assessment of whether the Group's income statement, balance sheet, equity statement, cash flow statement, and notes in the Esef report have been marked with iXBRL in accordance with the Esef regulation.

PricewaterhouseCoopers AB, 113 97 Stockholm, Sweden, was appointed auditor of Image System AB by the general meeting on May 5, 2022, and has been the Company's auditor since May 11, 2017.

Stockholm, April 7, 2023
PricewaterhouseCoopers AB

Nicklas Kullberg
Authorized Public Accountant

FINANCIAL DEFINITIONS



INCOME MEASURES

Gross margin, %

Revenue minus raw materials and consumables divided by revenue.

EBITDA, MSEK

Operating profit plus depreciation/amortization on tangible and intangible assets.

Operating margin, %

Operating profit in relation to revenue.

Profit margin, %

Profit before tax in relation to revenue.

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.

CASH FLOW MEASURES

Cash flow from operating activities, MSEK

Cash flow from operating activities plus changes in working capital.

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-bearing liabilities minus cash and cash equivalents.

OTHER

Net investments in fixed assets, MSEK

Net investments in both intangible and tangible fixed assets as well as financial fixed 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.

RELEVANT RECONCILIATIONS OF NON-IFRS INDICATORS, 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 Annual Report. The alternative indicators should be regarded as complementary information and not as a substitute for the financial information presented in accordance with 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 tangible and intangible fixed assets.

MSEK	GROUP	
	Full year 2022	Full year 2021
Operating profit	9.1	0.8
Depreciation and amortization of tangible and intangible fixed assets	19.3	18.6
EBITDA	28.4	19.4

NET DEBT

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

MSEK	GROUP	
	Full year 2022	Full year 2021
Cash and cash equivalents	22.5	7.1
Lease liability	13.4	18.0
Interest-bearing liabilities	5.4	6.9
Net debt	-3.7	17.8

COMPANY DATA

The name of the reporting Company:

Image Systems AB (publ)

Residence of the Company:

Linköping, Sweden

Legal form of the Company:

Limited Liability Company (LLC)

Country of registration:

Sweden

The address of the registered office:

Snickaregatan 40; 58226 Linköping, Sweden

Description of the nature of the Company's operations:

License and project sales and related services



IMAGE SYSTEMS AB
SNICKAREGATAN 40, 582 26 LINKÖPING, SWEDEN
PHONE: +46 13 200 100
INFO@IMAGESYSTEMS.SE