

**Q4**JANUARY –  
DECEMBER

2018

# Year-end Report

## Image Systems AB (publ)

JANUARY – DECEMBER 2018

### Positive trend in order bookings

#### Fourth quarter 2018

- Order bookings amounted to MSEK 74.8 (35.3).
- Revenue amounted to MSEK 48.2 (43.3).
- Operating profit before interest, depreciation and amortisation (EBITDA) amounted to MSEK 1.8 (7.0).
- The operating result MSEK amounted to MSEK –1.1 (5.1).
- Profit after taxes amounted to MSEK 9.6 (16.1).
- Earnings per share amounted to SEK 0.17 (0.42).
- The gross margin was 59 (63) percent.
- New issue in a net amount of MSEK 60.2 floated in November.

#### January – December 2018

- Order bookings amounted to MSEK 163.1 (136.1).
- Revenue amounted to MSEK 160.8 (133.6).
- Operating profit before interest, depreciation, and amortisation (EBITDA) and acquisition costs amounted to MSEK 10.2 (8.5).
- The operating result before interest, depreciation, and amortisation (EBITDA) mounted to 8.4 (8.5).
- The operating result MSEK amounted to MSEK –1.9 (1.1).
- Profit after taxes amounted to MSEK 5.5 (11.7).
- Earnings per share amounted to SEK 0.13 (0.31).
- The order backlog amounted to MSEK 65.8 (36.9).
- The gross margin was 63 (64) percent.

#### Events after the end of the period under review

- Continued strong order bookings.

### *President's statement*

Order bookings during the fourth quarter was at a historic high for the Company. The positive trend continued during the first quarter of 2019, providing reassurance 2019. Image Systems generated a fourth quarter result that was weaker than the year before. The deterioration was due to weak order bookings for the Swedish part of RemaSawco, which after three quarters failed to achieve sales and planned and expected results. The Finnish part of RemaSawco generated a good result during the period June-December and this partly offsets the Swedish result. Motion Analysis ad a good quarter and continues to deliver very good profitability to the Group. Revenue and operating profit before interest, depreciation, amortisation and acquisition costs improved compared to the year before and the Company delivers a gross margin that is comparable to the previous year.

Image Systems is a Swedish high-technology company and a leading supplier of products and services in high resolution image processing. By continually challenging the market's concepts and instead offer new and more effective solutions, we help our customers to achieve greater success in their business. The Company caters to a large number of industries and operations are conducted in the two areas RemaSawco and Motion Analysis. Image Systems has 93 employees at offices in Linköping, Nyköping, Västerås, Sundsvall and Skellefteå, as well as in Finland and Norway. In business 2018 consolidated revenue amounted to MSEK 161. The Company's share is listed on Nasdaq Stockholm Stock Exchange Small Cap list and is traded under the symbol IS. For additional information, visit our website [www.imagesystems.se](http://www.imagesystems.se)

## Development during the fourth quarter

### *RemaSawco*

Fourth quarter order bookings in the Swedish market were at an all-time high. We can now discern signs of mild or weakening of the outlook for sawmills. This is regarded as a positive sign for RemaSawco's business. The Swedish part generated a weak result, which only in part is offset by the Finnish operations' performance. The Finnish part also generated a weak result in terms of order bookings, and we have focused to complete a number of large installations. Integration between the companies is progressing well and our respective sales organisations are now fully integrated. We have been focusing on marketing the new X-ray product outside Finland and combining our respective products within the framework of The Digital Sawmill.

### *Motion Analysis*

Motion Analysis had a good quarter in line with last year. Order bookings for the year are at an all-time high and profitability continues to be very good with an EBITDA margin of approximately 30 percent. The first order for the newly developed POM system was received for French DGA during the quarter. POM is short for Projectile Orientation Measurement and is a system developed in-house for measuring of the projectile's impact angle. This system is intended to be used in connection with certification of various protective materials. Otherwise, both orders and delivery for the most part consisted of TEMA software. We are continuing to see Asian market growth.

## Net revenue and result

### *Fourth quarter*

Order bookings amounted to MSEK 74.8 (35.3) and the order backlog as of 31 December totalled MSEK 65.8 (36.9). Net revenue increased, amounting to MSEK 48.2 (43.3). The gross margin was 59 (63) percent. The lower gross margin is due to increased sales of products with a higher content of purchased hardware. The operating profit EBITDA amounted to MSEK 1.8 (7.0). The lower result is attributable to the Swedish part of RemaSawco's Swedish operations. Depreciation and amortisation according to plan was charged against earnings in the amount of MSEK 2.9 (1.9), of which amortisation of consolidated surplus values amounted to MSEK 2.6 (1.6). Net finance items deteriorated by MSEK 0.6 amounting to -1.0 (-0.4) due to an increase in borrowing costs in connection with the acquisition of RemaSawco OY. Tax expenses amounted to plus MSEK 11.7 (11.4) due to capitalized tax loss carryforwards. Profit after taxes amounted to MSEK 9.6 (16.1). Revenue and operating results before depreciation and amortisation by business area are reported on page 5.

### *January – December 2018*

Order bookings amounted to MSEK 163.1 (136.1). The order backlog as of December 31 amounted to MSEK 65.8 (36.9). Net revenue amounted to MSEK 160.8 (133.6). The entire increase is related to the acquisition of RemaSawco OY. The gross margin was 63 (64) percent and the operating profit before Interest, depreciation and amortisation, EBITDA, and acquisition costs of a one-time nature amounted to MSEK 10.2 (8.5). Acquisition expenses in the amount of MSEK 1.8 are reported under the heading Other operating costs. Depreciation and amortisation according to plan were charged to earnings in the amount of MSEK 10.3 (7.4), amortisation of consolidation surpluses, such as trademarks and customer relationships amounted to MSEK 8.4 (6.1). Net finance items were lower by MSEK 1.5, amounting to MSEK -2.3 (-0.8), due to increased borrowing costs relating to the acquisition of RemaSawco OY. Tax revenue relating to the Swedish companies of MSEK 13 was recognized during the period relating to MSEK 63 of the tax loss carry-forwards not previously been assigned a value. In 2018 the Swedish operations showed a tax-positive result and positive results are expected to be reported for the next several years. The tax expense was positive in the amount of 9.7 (11.4). Profit after taxes amounted to MSEK 5.5 (11.7). Revenue and operating results are reported on page 5.

### *Capital expenditures and financial position*

The Group's investments in non-current assets amounted to MSEK 45.9 (8.2), of which MSEK 38.0 refers to the acquisition of Limab OY. MSEK 0.3 (0.3) refers to the final supplementary purchase money for RemaSawco Norge, investments in equipment in the amount of MSEK 1.5 (0.5) and MSEK 6.1 (7.4) refers to capitalised development costs. The new issue floated during November yielded MSEK 60.2 to the Company, after issuing costs of MSEK 6.1. As of 31 December 2018, available cash and cash equivalents, including the unutilized portion of a committed credit facility, stood at MSEK 14.8 (9.3). The equity ratio as of 31 December 2018 stood at 62 (67) percent. The operative cash flow amounted to MSEK -57.9 (-0.6). The net debt to equity ratio was 0.2 (0.1).

## Research and development

### *RemaSawco*

The Company focused during the quarter on preparing the product portfolio to be components of The Digital Sawmill Phase 2 of our collaboration with RI.SE, Moelven and RemaSawco was successfully completed and Phase 2 has now begun.

Also, under way is a merger of the product portfolios of the Swedish and Finish operations to create a unified and consistent product portfolio that can be marketed globally. The Finnish X-ray inspection equipment has been integrated with Swedish software in order to be eligible for certification for use in Swedish sawmills. The Boardscanner has been further developed for the U.S. market and we have beta-tested our optimisation software for saw lines with customers during the period.

### *Motion Analysis*

Motion Analysis is mostly engaged in in-house development but is to a certain extent also active in customer-driven development, primarily of the TrackEye software. During the autumn we received an order form the U.S. Army for development of TrackEye. In due course it will be possible to integrate this development with other systems, in that way creating added value and sales.

An important example of in-house development during the last quarter is the new support for image analysis and measurement using streaming video. This development strengthens our products in deformation analysis with the aid of Digital Image Correlation (DIC) and offers great opportunities for new product modules. TEMA is a new major release with the name T2019, which also includes a new graphic profile. In parallel with his development of existing products the Company also invests in the development of a modernised infrastructure, better able to utilize the development in the hardware and software area in recent years.

### *Parent Company*

The Parent Company's net revenue amounted to MSEK 4.4 (2) and the profit after taxes amounted to MSEK 5.0 (5). Investments in non-current assets amounted to MSEK 66 (0) and refer in their entirety to the acquisition of all shares outstanding in Limab Oy. The acquisition was financed by a short-term bank loan. In November the Company floated a new issue generating MSEK 60 after issuing costs. The Parent Company's available cash and cash equivalents amounted to MSEK 7.3 as of 31 December 2018 (0.0) The Parent Company's equity amounted to MSEK 121.5 as of 31 December 2018 (56,3) and the equity ratio stood at 76 (80) percent.

### *Personnel*

The average number of employees was 83 (68). The number of employees at the end of the period was 92.

### *Number of shares outstanding*

The number of shares outstanding as of 31 December 2018 was 89,207,818.

### *Transactions with closely related parties*

Repayment of loans in the amount of MSEK 8 million from the Company's three largest shareholder was made in connection with the rights issue floated in November.

### *Annual General Meeting*

The Annual General Meeting will be held on at 2:00 p.m., 7 May 2019 at the Company's premises, Snickaregatan 40 in Linköping.

### **Events after the end of the period under review**

Continued strong order bookings. So far this year orders received include the following:

#### *RemaSawco:*

Hållanders sågverk, MSEK 4.3, SCA Munksund, MSEK 5.0, Hilmer Andersson, MSEK 4.1 and Moelven Numedal, MSEK 20, and Holmen Timber Braviken MSEK 5.2.

#### *Motion Analysis:*

French DGA, MSEK 1.3.

### *Accounting policies*

Image Systems applies International Financial Reporting Standards (IFRS) as adopted by EU. This Interim Report for the Image Systems Group has been compiled in accordance with IAS 34 Interim financial reporting and the Swedish Annual Accounts Act. Information pursuant to IAS 34 Interim Financial Reporting is provided in notes as well as elsewhere in the Interim Report. The new and amended standards to be applied from 1 January 2017 had no material impact on the Group's financial reports. In all other respects the accounting policies and calculation methods are the same as those applied in the 2017 Annual Report.

IFRS 9 is applied from 2018 and has replaced IAS 39 Financial Instruments: Recognition and Measurement. For the Image Systems Group IFRS 9 gives rise to no changes in the reporting and removal from the Report of Financial Position. However, classification and valuation of financial instruments changes. At the first accounting date, all financial instruments are reported at fair value, which is in accordance with IAS 39. After the first accounting date financial assets are valued either at accrued cost, fair value via the income statement, or at fair value via other comprehensive result. The choice of category a financial asset is valued in accordance with is controlled by the company's business model and also by which contractual cash flows the company will obtain from the financial asset. The category accrued fair value includes trade receivables, financial receivables, and cash and cash equivalents. The category fair value via the income statement includes derivative instruments not used for hedging purposes, synthetic options, additional purchase money and other long-term securities holdings. The Image Systems Group has no financial assets in the category fair value via other comprehensive result. The valuation of financial liabilities is essentially unchanged compared with IAS 39.

In accordance with IFRS 9 the need for impairment of receivables is based on expected credit losses, which primarily affects the Image Systems Group when it comes to reporting of bad debts. The Group's customer losses have been, and also after transition to the new standard, not material. Each respective subsidiary applies its own impairment model for trade receivables based on assumptions and historic information and has chosen to apply a simplified impairment model. The transition to IFRS 9 has had no effect on the opening balance.

IFRS 15 is applied from 2018 and deals with revenue from contracts with customers and sales of certain non-financial assets. It replaces IAS 11 Construction Contracts and IAS 18 Revenue and related interpretations. The new standard entails a new model for revenue recognition based on when the control over a good or service is transferred to the customer and that the revenue is recognized in an amount that reflects the compensation the company is expected to have a right to in exchange for the good or service. The transition to IFRS 15 has had no significant effect on the financial results and position of the Image Systems Group. No comparative data have therefore been recalculated and therefore no information is provided on a transition bridge.

#### IFRS 16 Leases

IFRS 16 is a new reporting standard for leases and the greatest impact thereof is related to the fact that reporting for lessees which will be changed in such a way that leases will be reported in the balance sheet. For the Image Systems Group IFRS16 means a change in the way rental contracts for premises, company cars and other leased objects are reported. Implementation of the new standard will result in increased assets and interest-bearing liabilities in the balance sheet. This in turn will affect the net financial position. It will also have a positive effect on the operating result in the income statement based on the fact that a portion of the leasing costs will be reported as an interest expense in net finance items. In the cash flow statement, the leasing payments will be split between interest paid and the operative cash flow and repayment of lease liabilities in the financing activities. This means that the change will have a positive effect on the operative cash flow. IFRS 16 will be applied retroactively without recalculation of comparative data. The opening balance for 2109 has been recalculated according to the new standard. For leasing contracts previously classified as operative leases with the Image Systems Group as lessee, a lease liability will be reported as a lease liability at the present value of future lease payments, amounting to MSEK 14.4 as of 1 January 2019. The asset is reported in the same amount as the lease liability. No transitional effect will therefore be reported in equity. (For additional information, refer to the table on page 11.)

Image Systems applies ESMA's (European Securities and Markets Authority) guidelines for alternative key financial indicators. Definitions of key financial indicators will be found on page 9 and relevant reconciliations are presented on page 11.

#### Risks and uncertainty factors

The Group's principal risk and uncertainty factors include business risks associated with contracts with customers and suppliers, as well as other factors in the surrounding world, such as the risk of changes in foreign currency exchange rates. A report of the Group's significant financial and business risks will be found in the Board of Director Report and under Note 3 in the Annual Report for 2017. An added risk during 2018 is the acquisition of Limab OY in Finland. No other significant new or changed risks were identified during the quarter.

This year-end report has not been subject to review by the Company's auditors.

*Linköping, 8 February 2019*

*Board of Directors*

#### Reporting schedule

Annual Report 2018	April 2019
Interim Report January - March 2019	7 May 2019
Annual General Meeting	7 May 2019
Interim Report April - June 2019	23 August 2019
Interim Report July - September 2019	7 November 2019
Year-end Report 2019	14 February 2020

The information in this year-end report is such that Image Systems AB is obliged to publish in accordance with EU's Market Abuse Regulation and the Swedish Securities Markets Act. The information herein was provided for publication at 12:30 p.m. (CET), 8 February 2019.

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

#### Questions will be answered by:

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## Summary Consolidated Income Statements

MSEK	Oct-Dec 2018	Oct-Dec 2017	Full year 2018	Full year 2017
Net sales	46.9	38.1	156.1	126.2
Capitalised development costs	1.3	5.2	4.7	7.4
<b>Total revenue</b>	<b>48.2</b>	<b>43.3</b>	<b>160.8</b>	<b>133.6</b>
Raw materials and supplies	-19.9	-16.0	-58.7	-47.7
Other external costs	-7.4	-4.5	-24.6	-19.4
Personnel costs	-19.1	-15.9	-67.5	-57.7
Depreciation and amortisation of and impairment charges against tangible non-current assets	-2.9	-1.9	-10.3	-7.4
Other operating revenue	-	0.1	0.2	-
Other operating costs	-	-	-1.8	-0.3
<b>Operating result</b>	<b>-1.1</b>	<b>5.1</b>	<b>-1.9</b>	<b>1.1</b>
Net finance items	-1.0	-0.4	-2.3	-0.8
<b>Result before taxes</b>	<b>-2.1</b>	<b>4.7</b>	<b>-4.2</b>	<b>0.3</b>
Taxes	11.7	11.4	9.7	11.4
<b>Profit for the period</b>	<b>9.6</b>	<b>16.1</b>	<b>5.5</b>	<b>11.7</b>
Of which attributable to the Parent Company's equity holders	9.6	16.1	5.5	11.7
Earnings per share <sup>1)</sup>	0.17	0.42	0.13	0.31
Earnings per share after dilution <sup>1)</sup>	0.17	0.42	0.13	0.31
Average number of shares outstanding	55,223,887	38,231,922	42,479,913	38,231,922
Average number of shares outstanding after dilution	55,223,887	38,231,922	42,479,913	38,231,922

## Consolidated Report of Comprehensive Result

Profit for the period	9.6	16.1	5.5	11.7
<b>Other comprehensive result</b>				
Translation differences	-0.4	0.0	-0.5	0.2
Taxes related to other comprehensive result	-	-	-	-
<b>Total other comprehensive result</b>	<b>-0.4</b>	<b>0.0</b>	<b>-0.5</b>	<b>0.2</b>
<b>TOTAL COMPREHENSIVE RESULT FOR THE PERIOD</b>	<b>9.2</b>	<b>16.1</b>	<b>5.0</b>	<b>11.9</b>
Of which attributable to the Parent Company's equity holders	9.2	16.1	5.0	11.9

<sup>1)</sup> Calculated based on the average number of shares outstanding.

Group	Oct-Dec 2018	Oct-Dec 2017	Full year 2018	Full year 2017
<b>Revenue by segment (business area)</b>				
RemaSawco	41.1	35.1	133.7	107.0
Motion Analysis	7.1	8.2	27.1	26.6
Consolidation items and Parent Company	-	-	-	-
<b>Total</b>	<b>48.2</b>	<b>43.3</b>	<b>160.8</b>	<b>133.6</b>
<b>EBITDA</b>				
RemaSawco	1.1	4.4	8.4	5.6
Motion Analysis	2.4	3.6	8.0	8.0
Consolidation items and Parent Company	-1.7	-1.0	-6.2	-5.1
<b>EBITDA total</b>	<b>1.8</b>	<b>7.0</b>	<b>10.2</b>	<b>8.5</b>
<b>Acquisition costs</b>	<b>-</b>	<b>-</b>	<b>-1.8</b>	<b>-</b>
Depreciation and amortisation of and impairment charges against tangible and intangible	-2.9	-1.9	-10.3	-7.4
<b>Operating result</b>	<b>-1.1</b>	<b>5.1</b>	<b>-1.9</b>	<b>1.1</b>
Net finance items	-1.0	-0.4	-2.3	-0.8
<b>Result before taxes</b>	<b>-2.1</b>	<b>4.7</b>	<b>-4.2</b>	<b>0.3</b>
Taxes	11.7	11.4	9.7	11.4
<b>Result for the period</b>	<b>9.6</b>	<b>16.1</b>	<b>5.5</b>	<b>11.7</b>

## Summary Consolidated Balance Sheets

<b>MSEK</b>	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>
<b>Non-current assets</b>		
Goodwill	32.5	10.5
Customer relationships	52.7	15.4
Trademarks	6.2	8.1
Capitalised development expenses	23.8	14.4
Tangible non-current assets	4.4	0.8
Deferred tax asset	22.3	11.4
<b>Total non-current assets</b>	<b>141.9</b>	<b>60.6</b>
<b>Current assets</b>		
Inventories	9.9	7.3
Trade receivables	50.3	20.1
Other short-term receivables	12.2	22.0
Cash and cash equivalents	8.2	0.9
<b>Total current assets</b>	<b>80.6</b>	<b>50.3</b>
<b>TOTAL ASSETS</b>	<b>222.5</b>	<b>110.9</b>
<b>Equity</b> (attributable in its entirety to the Parent Company's equity holders)	<b>138.9</b>	<b>73.7</b>
<b>Long-term liabilities</b>		
Provision relating to contingent purchase money	10.3	-
Deferred tax liabilities	8.4	-
<b>Total long-term liabilities</b>	<b>18.7</b>	<b>-</b>
<b>Current liabilities</b>		
Loans from credit institutions	10.9	9.1
Provision relating to contingent purchase money	11.3	-
Trade payables	17.9	8.1
Other current liabilities	24.8	20.0
<b>Total current liabilities</b>	<b>64.9</b>	<b>37.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>222.5</b>	<b>110.9</b>

## Summary Report of Changes in Consolidated Equity

	<b>31 Dec 2018</b>	<b>Full year 2017</b>
Opening equity according to the balance sheet	73.7	61.8
Profit for the period	5.5	11.7
Other comprehensive result for the period	-0.5	0.2
<b>Total comprehensive result for the period</b>	<b>5.0</b>	<b>11.9</b>
New issue	60.2	-
<b>Closing equity according to the balance sheet</b>	<b>138.9</b>	<b>73.7</b>

## Summary Consolidated Cash Flow Statements

MSEK	Oct-Dec 2018	Oct-Dec 2017	Full year 2018	Full year 2017
<b>Cash flow from operating activities before changes in working capital</b>	<b>0,4</b>	<b>6,3</b>	<b>4,4</b>	<b>7,9</b>
<b>Changes in working capital</b>				
Increase (-) / Decrease (+) in inventories	0,6	0,4	2,2	1,6
Increase (-) / Decrease (+) in receivables	-10,7	-0,5	-1,2	9,0
Increase (+) Decrease (-) in current liabilities	3,6	6,4	-14,2	-10,9
<b>Total changes in working capital</b>	<b>-6,5</b>	<b>6,3</b>	<b>-13,2</b>	<b>-0,3</b>
<b>Cash flow from operating activities</b>	<b>-6,1</b>	<b>12,6</b>	<b>-8,8</b>	<b>7,6</b>
<b>Investment activities</b>				
Acquisition of Group company	-	-	-38,3	-0,3
Acquisition of intangible non-current assets	-2,5	-3,4	-6,1	-7,4
Acquisition of tangible non-current assets	-1,2	-	-1,5	-0,5
<b>Cash flow from investment activities</b>	<b>-3,7</b>	<b>-3,4</b>	<b>-45,9</b>	<b>-8,2</b>
<b>Operative cash flow</b>	<b>-9,8</b>	<b>9,2</b>	<b>-54,7</b>	<b>-0,6</b>
<b>Financing activities</b>				
New issue	60,2	-	60,2	-
Increase (+) in loans	5,4	-	60,2	16,7
Decrease in loans	-58,4	-15,0	-58,4	-16,3
<b>Cash flow from financing activities</b>	<b>7,2</b>	<b>-15,0</b>	<b>62,0</b>	<b>0,4</b>
<b>Cash flow for the period</b>	<b>-2,6</b>	<b>-5,8</b>	<b>7,3</b>	<b>-0,2</b>
Cash and cash equivalents at beginning of period	10,9	6,7	0,9	1,1
Translation difference in				
Cash and cash equivalents	-0,1	0,0	0,0	0,0
<b>Cash and cash equivalents at end of period</b>	<b>8,2</b>	<b>0,9</b>	<b>8,2</b>	<b>0,9</b>

## Key Financial Indicators

Group	Oct-Dec 2018	Oct-Dec 2017	Full year 2018	Full year 2017
Order bookings, MSEK	74.8	35.3	163.1	136.1
Order backlog, MSEK	65.8	36.9	65.8	36.9
Gross margin, %	59	63	63	64
Operating margin, %	neg	11.8	neg	0.8
Profit margin, %	neg	10.8	neg	0.2
Return on capital employed, %	neg	6.2	neg	1.4
Return on equity, %	neg	24.5	neg	17.3
Equity ratio, %	62	67	62	67
Debt equity ratio	0.2	0.1	0.2	0.1
Net investments in non-current assets, MSEK	3.7	1.1	45.9	8.2
Depreciation and impairment of non-current assets, MSEK	2.9	1.6	10.3	7.4
Average number of employees	92	69	83	68
Number of shares outstanding at end of period, million	89.21	38.23	89.21	38.23
Average number of shares outstanding, million	55.22	38.23	42.48	38.23
Earnings per share <sup>1)</sup> , SEK	0.17	0.42	0.13	0.31
Cash flow per share <sup>1)</sup> , SEK	-0.18	0.24	-1.29	-0.02
Equity per share <sup>2)</sup> , SEK	1.56	1.93	1.56	1.93

<sup>1)</sup> Calculated based on average number of shares outstanding.

<sup>2)</sup> Calculated based on number of shares outstanding at end of period.

## Quarterly Survey

Group	2018				2017				2016	
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Order bookings, MSEK	74.8	27.8	32.6	27.4	35.3	28.2	41.1	31.5	33.9	30.1
Revenue, MSEK	48.2	46.3	44.0	22.3	43.3	29.7	31.6	29.0	46.0	23.7
Gross margin, %	59	63	59	83	63	65	63	67	59	65
Operating result before depreciation and amortisation (EBITDA), MSEK	1.8	5.6	2.5*	-1.5	7.0	2.6	-1.3	0.2	5.5	-1.7
Operating result (EBIT), MSEK	-1.1	2.2	0.4*	-3.4	5.1	0.7	-3.2	-1.5	3.9	-3.3
Operating margin, %	neg	4.8	0.9	neg	11.8	2.4	neg	neg	8.5	neg
Return on equity, %	neg	0.6	neg	neg	24.5	0.9	neg	neg	6.7	neg
Equity ratio, %	62	34	33	67	67	56	59	62	56	61
Earnings per share, SEK	0.17	0.01	-0.03	-0.09	0.42	0.01	-0.09	-0.04	0.11	-0.09
Cash flow per share, SEK	-0.18	-0.24	-0.87	-0.06	0.24	-0.22	-0.07	0.03	-0.01	-0.01
Equity per share, SEK	1.56	1.82	1.83	1.84	1.93	1.51	1.50	1.57	1.61	1.50
Average number of shares outstanding, million	55.22	38.23	38.23	38.23	38.23	38.23	38.23	38.23	38.23	38.23

\*including acquisition costs in the amount of MSEK 1.8.

## Definitions

### Performance measure

#### EBITDA

Operating result plus depreciation, amortisation and interest on tangible and intangible assets.

#### Margins

Operating margin, %

Operating result relative to net revenue.

Profit margin, %

Result before taxes relative to net revenue.

#### Profitability

Return on average capital employed, %

Operating result, plus interest income, relative to average capital employed. Capital employed refers to balance sheet total, less non-interest-bearing liabilities.

Return on average equity, %

Result for the period relative to average equity.

#### Capital structure

Equity ratio, %

Equity at end of period relative to balance sheet total.

Net debt equity ratio

Interest-bearing liabilities at end of period, less cash and cash equivalents, relative to equity.

#### Other

Net investment in non-current assets, MSEK

Net investments both in tangible and intangible non-current assets, as well as financial non-current assets during the period.

Average number of employees

Average number of employees during the period.

#### Per-share data

Number of shares outstanding at end of period in million

Number of shares outstanding at end of period.

Average number of shares outstanding, million

Average number of shares outstanding during the period.

Earnings per share, SEK

Result after taxes divided by average number of shares outstanding.

Cash flow per share, SEK

Operative cash flow divided by average number of shares outstanding.

Equity per share, SEK

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

## Summary Parent Company Income Statements

<b>MSEK</b>	<b>Oct-Dec 2018</b>	<b>Oct-Dec 2017</b>	<b>Full year 2018</b>	<b>Full year 2017</b>
Revenue	1.7	0.8	4.4	2.8
Other external costs	-1.4	-0.6	-4.3	-3.1
Personnel costs	-1.9	-1.2	-6.2	-4.8
Other operating costs	-	-	-	-
<b>Operating result</b>	<b>-1.6</b>	<b>-1.0</b>	<b>-6.1</b>	<b>-5.1</b>
Newt finance items	-1.2	-0.1	-2.1	-0.3
<b>Result before taxes</b>	<b>-2.8</b>	<b>-1.1</b>	<b>-8.2</b>	<b>-5.4</b>
Year-end appropriations	0.2	5.0	0.2	5.0
Taxes	13.0	1.9	13.0	1.9
<b>Result for the period</b>	<b>10.4</b>	<b>5.8</b>	<b>5.0</b>	<b>1.5</b>

## Summary Report of Parent Company Comprehensive Result

Result for the period	10.4	5.8	5.0	1.5
Other comprehensive result	-	-	-	-
<b>Total other comprehensive profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE RESULT FOR THE PERIOD</b>	<b>10.4</b>	<b>5.8</b>	<b>5.0</b>	<b>1.5</b>

## Summary Parent Company Balance Sheets

<b>MSEK</b>	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>
<b>Non-current assets</b>		
Shares in subsidiaries	122.1	56.1
Deferred tax asset	14.9	1.9
<b>Total non-current assets</b>	<b>137.0</b>	<b>58.0</b>
<b>Current assets</b>		
Trade receivables	-	0.4
Due from Group companies	12.2	6.7
Other short-term receivables	4.2	4.9
Cash and cash equivalents	7.3	0.0
<b>Total current assets</b>	<b>23.7</b>	<b>12.0</b>
<b>TOTAL ASSETS</b>	<b>160.7</b>	<b>70.0</b>
<b>Equity</b>	<b>121.5</b>	<b>56.3</b>
<b>Long-term liabilities</b>		
Provision relating to contingent purchase money	10.3	-
<b>Total long-term liabilities</b>	<b>10.3</b>	<b>-</b>
<b>Current liabilities</b>		
Bank loans	-	5.0
Provision relating to contingent purchase money	11.3	-
Trade payables	0.7	0.1
Due to subsidiaries	14.5	6.9
Other current liabilities	2.4	1.7
<b>Total current liabilities</b>	<b>28.9</b>	<b>13.7</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>160.7</b>	<b>70.0</b>

## Summary Report of Changes in the Parent Company's Equity

<b>MSEK</b>	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>
Opening equity according to the balance sheet	56.3	54.8
Result for the period	5.0	1.5
Other comprehensive result for the period	-	-
<b>Total comprehensive result</b>	<b>5.0</b>	<b>1.5</b>
New issue	60.2	-
<b>Closing equity according to the balance sheet</b>	<b>121.5</b>	<b>56.3</b>

## Summary Parent Company Cash Flow Statements

MSEK	Oct-Dec 2018	Oct-Dec 2017	Full year 2018	Full year 2017
<b>Cash flow from operating activities before changes in working capital</b>	<b>-2.4</b>	<b>3.9</b>	<b>-8.0</b>	<b>-0.4</b>
<b>Changes in working capital</b>				
Increase (-) /Decrease (+) in receivables	0.4	0.2	0.7	0.5
Decrease in (-) current liabilities	0.8	-0.3	1.4	-1.7
<b>Total change in working capital</b>	<b>1.2</b>	<b>-0.1</b>	<b>2.1</b>	
<b>Cash flow from operating activities</b>	<b>-1.2</b>	<b>3.8</b>	<b>-5.9</b>	<b>-1.6</b>
<b>Investment activities</b>				
Acquisition of subsidiary	-	-	-44.1	-
Due from (+) to (-) subsidiaries	-2.5	-4.4	2.1	-3.4
<b>Cash flow from investment activities</b>	<b>-2.5</b>	<b>-4.4</b>	<b>-42.0</b>	<b>-3.4</b>
<b>Operative cash flow</b>	<b>-3.7</b>	<b>-0.6</b>	<b>-47.9</b>	<b>-5.0</b>
<b>Financing activities</b>				
New issue	60.2		60.2	
Increase (+) in loans	-	-	44.2	10.0
Decrease (-) in loans	-49.2	-5.0	-49.2	-5.0
<b>Cash flow from financing activities</b>	<b>11.0</b>	<b>-5.0</b>	<b>55.2</b>	<b>5.0</b>
<b>Cash flow for the period</b>	<b>7.3</b>	<b>-5.6</b>	<b>7.3</b>	<b>0.0</b>
Cash and cash equivalents at beginning of period	0.0	5.6	0.0	0.0
<b>Cash and cash equivalents at end of period</b>	<b>7.3</b>	<b>0.0</b>	<b>7.3</b>	<b>0.0</b>

## Relevant reconciliations with non-IFRS-based key financial indicators

### Group

#### Alternative key financial indicators

In addition to the financial indicators compiled in accordance with IFRS, Image Systems presents key financial indicators not defined by IFRS, such as for example EBITDA, Net liabilities.

These alternative key ratios are considered to be important result and performance indications for investors and other users of the interim report. The alternative key ratios should be regarded as a complement, but not a replacement for, the financial information compiled in accordance with IFRS.

Image Systems' definitions of these measures not defined by IFRS are described on page 9 under the heading Definitions. These terms can be defined in other ways by other companies and are therefore not always comparable to similar metrics used by other companies.

#### EBITDA

Image Systems is of the opinion that EBITDA is a relevant metric for investors to understand the earnings generation before investment in tangible and intangible non-current assets.

#### Net liabilities

Image Systems is of the opinion that Net liabilities is a relevant metric for investors to understand the Group's indebtedness.

#### Operating result before interest, depreciation and amortisation EBITDA

MSEK	Oct-Dec 2018	Oct-Dec 2017	Full year 2018	Full year 2017
Operating result	-1.1	5.1	-1.9	1.1
Depreciation and amortisation of and impairment charges against tangible and intangible non-current assets	2.9	1.9	10.3	7.4
<b>Operating profit before depreciation and amortisation EBITDA</b>	<b>1.8</b>	<b>7.0</b>	<b>8.4</b>	<b>8.5</b>

#### Net liabilities

MSEK	31 Dec 2018	31 Dec 2017
Cash and cash equivalents	8.2	0.9
Provision relating to contingent purchase money	21.6	-
Interest-bearing liabilities	10.9	9.1
<b>Net liabilities</b>	<b>24.3</b>	<b>8.2</b>

## Implementation of IFRS 16

### MSEK

Effect on opening balance 1 January 2019	Previously reported Dec 31 2018	Recalculation IFRS 16	After recalculation 1 Jan 2019
Total assets	222.5	14.4	236.9
Total equity	138.9	-	138.9
Total liabilities	83.6	14.4	98.0
Total equity and liabilities	222.5	14.4	236.9

### Effect on net financial position as of 1 January 2019

Financial net liabilities	24.3	14.4	38.7
<b>Debt equity ratio</b>	<b>0.2</b>		<b>0.3</b>

## Acquisition of RemaSawco OY

Image Systems has acquired all shares outstanding in Limab Oy, changing its name to RemaSawco OY, active in touch-free measurement system for the sawmill industry. The company was acquired on a debt-free basis for total purchase money of MEUR 6.1 (approximately MSEK 62.5), of which the initial purchase money amounted to MEUR 4.0 (approximately MSEK 41.0 MSEK). Contingent purchase money will be paid over a two-year period provided Limab Oy's current shareholders remain as employees of the company. The acquisition was financed with a bank loan in the amount of MDSEK 41.5 and a contingent seller's note in the amount of MEUR 2.1, equivalent to approximately MSEK 21.5.

The acquired company's competence in advanced measuring technology, especially in the area of x-ray, as well as a strong market presence in Finland, the Baltic States and Russia, means that the new group will have a stronger offer in several customer and market segments. The transaction is industrially justified and is expected to bring synergies on terms of revenue as well as costs. The acquisition therefore creates improved opportunities for growth of the Group.

The acquisition is consolidated as of June 1 2018. Analysis of the acquired assets are preliminary and may be subject to change. Intangible assets have been valued with separation of goodwill. Any remaining goodwill value will be attributable primarily to synergies and other intangible assets that do not meet the requirements for separate recognition. The acquisition analysis for RemaSawco Oy indicates that goodwill amounts to MSEK 22.0. Identifiable customer relationships have been valued at MSEK 43.7. Deferred taxes in the amount of MSEK 8.7 are reported relating to assets reported separately as goodwill. No part of the goodwill incurred in connection with the acquisition is expected to be tax deductible. The period of depreciation for the intangible non-current asset customer relationships is 10 years.

## Fair value of acquired assets and assumed liabilities

### MSEK

#### Acquisition of RemaSawco OY

Intangible non-current assets	48.0
Other non-current assets	0.8
<b>Total non-current assets</b>	<b>48.8</b>
Total current assets	30.7
<b>Total assets</b>	<b>79.5</b>
Total long-term liabilities	8.7
Total current liabilities	27.1
<b>Total liabilities</b>	<b>35.8</b>
<b>Fair value of acquired assets and assumed liabilities</b>	<b>43.7</b>
Goodwill	22.0
<b>Total purchase money</b>	<b>65.7</b>
Less cash and cash equivalents in the acquired company	-5.8
Adjustment for additional purchase money not yet paid	-21.9
<b>Cash flow from acquisition of subsidiary</b>	<b>38.0</b>