

Q1JANUARY
- MARCH
2020***”The effect of
Covid-19 was
marginal
during the
first quarter”***

Interim Report

Image Systems AB (publ)

JANUARY – MARCH 2020

Another strong quarter for Motion Analysis

First quarter 2020

- Revenue was unchanged amounting to MSEK 44.1 (44.1).
- Operating profit before depreciation and amortisation EBITDA amounted to MSEK 2.3 (0.9).
- The operating result amounted to MSEK –2.2 (–2.9).
- The result after taxes amounted to MSEK –3.3 (–3.4).
- Order bookings amounted to MSEK 38.5 (73.3).
- The order backlog was MSEK 58.1 (98.5).
- The gross margin was 62 (60) percent.
- Earnings per share before and after dilution amounted to SEK –0.04 (–0.04).

Significant events after the period under review

- As an effect of the Corona pandemic most of the staff of RemaSawco's Swedish operations is on short-term temporary leave of 40 percent.
- Motion Analysis gets an order for just short of MSEK 1 from French DGA.

President's statement

The Group shows unchanged revenue and a slightly improved result compared to the year before. We note that Motion Analysis continues to generate outstanding margins, resulting in an EBITDA margin of just over 50 percent. We are happy to report that RemaSawco has received its first Boardscanner order in Finland after extensive testing. The Corona endemic had a negative effect on the Company's order bookings, but the effect on the result was marginal. We note that the company's customers are generally cautious about capital spending and we believe this will continue during the second quarter. The Group's focus will be on planning and securing continued project deliveries. The underlying demand for Image System's products and service remains and will be augmented during this period of uncertainty.

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 just over 90 employees at offices in Sweden, Finland and Norway. In 2019 consolidated revenue amounted to MSEK 211. 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.imagesystemsgroup.se/en

Development during the first quarter

RemaSawco

Due to the Corona pandemic the first quarter was marked by a wait-and-see attitude on the part of the Nordic sawmill industry. Ongoing projects have been delivered according to plan during the period. For quarters to come some delays in deliveries are discernible in the wake of the Corona pandemic. To cope with the expected temporary weaker demand most of RemaSawco's Swedish staff have been laid off on a temporary basis. In Finland we have sold our first RS-Boardscanner which can be referred to as a breakthrough.

Motion Analysis

Motion Analysis has another good quarter and continues to deliver products with very high profitability, more the 50 percent at the EBITDA level. During the quarter Motion Analysis was affected by COVID-19 primarily in the form of lower sales in China. Most of the business is conducted today from home offices, which means that the immediate effect on earnings is marginal, but the development in the longer term continues to be uncertain.

Financial information

First quarter

Order bookings amounted to MSEK 38.5 (73.3). The order backlog as of 31 March 2020 amounted to MSEK 58.1 (98.5). Revenue amounted to MSEK 44.1 (44.1), MSEK 1.1 (1.2) of which refers to capitalised development costs. The gross margin was 62 (60) percent. The operating profit before depreciation, amortisation and impairment charges improved by MSEK 1.4, amounting to MSEK 2.3 (0.9). Depreciation and amortisation increased by MSEK 0.7 to MSEK 4.5 (3.8). Net financial items were lower by MSEK 0.9 to MSEK -1.3 (-0.4), totally due to negative translation differences. The result after taxes amounted to MSEK -3.3 (-3.4). Revenue and operating result before depreciation and amortisation by business area are reported on page 4.

Capital expenditures and financial position

The Group's investments in non-current tangible assets amounted to MSEK 1.1 (1.2), of which MSEK 1.1 (1.2) refers to capitalisation of development projects. Available cash and cash equivalents, including the unutilized portion of a committed credit facility, stood at MSEK 10.4 (25.5) as of 31 March 2020. The operative cash flow amounted to MSEK 2.9 (11.2). The equity ratio stood at 57 percent as of 31 March 2020 (57). The equity ratio stood at 0.4 (0.3).

Research and development

RemaSawco

During the first quarter there was sharp focus on development work for new software releases for RS BoardScanner, optimisation and a measuring system from the saw line. Digital applications for timber handling and the platform they will operate are in the process of being developed for a number of pilot projects together with our customers.

In the European Basajaun co-operation project we have been involved in completion of the work package that defines the common digital platform to link a major portion of the value chain from forest to construction, where our digital platform will be used for data from the sawmill side. Now begins the new work package to define the architecture and that effort will be led by RemaSawco.

The Software in our scanners is now adapted to Biometria's new directives for volume measurement and has begun to be sold to customers as an upgrade.

Motion Analysis

The year began by focusing on quality improvements in our main products, TEMA and TrackEye. A series of quality-improving minor releases have been released and focus has subsequently shifted to an upcoming major release for TrackEye, planned for May.

Final delivery took place in January of a customer project aimed at DGA for deformation analysis in 3D from streaming video during the material-testing in progress, resulting in a satisfied customer as well as some key new features for future regular product releases. Work with the customer-financed multi-year research project aimed at improving TrackEye's image analysis and "tracking" continues according to plan. The project is delivered step by step and is scheduled to continue until Q1 2021.

Significant steps forward have been taken in the internal development work on the new platform in recent months, leading us towards a mature infrastructure, ready to constitute the base for new products. We are planning to produce the first prototypes during 2020.

During April, Motion Analysis has received funding for a Vinnova project in material testing in co-operation with a number of players. The project is scheduled to continue during 2020 to 2023, with most of the effort to take place during 2021.

Parent Company

The Parent Company's revenue amounted to MSEK 1.0 (0.9). The operating result was MSEK -1.3 (-1.3). The result after taxes was MSEK -2.2 (-1.4). Investments in non-current tangible assets amounted to MSEK 0.0 (0.0). The Parent Company's available cash and cash equivalents as of 31 March 2020 amounted to MSEK 0.0 (2.0). The Parent Company's equity amounted to MSEK 134.2 as of 31 March 2020 (120.1) and the equity ratio stood at 87 (75) percent.

Personnel

The average number of employees was 90 (94).

Number of shares outstanding

The number of shares outstanding as of 31 March 2020 was 89,207,818.

Annual General Meeting

As announced before the Board of Directors has decided to postpone the Annual General Meeting. The Annual General Meeting for 2020 will be held no later than 30 June 2020 in accordance with current legislation. A new notice will be sent out well in advance of the Annual General Meeting.

Events after the end of the period under review**Effects of COVID-19**

In our judgement the effects of COVID-19 will affect operations to a higher degree during the quarter to come. We have therefore taken action in the form of cost savings. Examples of such action is lowered consultancy fees and that management has voluntarily lowered their salaries. Furthermore, a large proportion of our employees in RemaSawco Sweden have been temporarily laid off.

New order

Business area Motion Analysis has received an order for just under MSEK 1 from French DGA.

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 interim report for the parent company, Image Systems AB, is drawn up in accordance with the Swedish Companies Act and recommendation RFR 2 Accounting for Legal Entities of the Swedish Financial Reporting Board.

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 7 and relevant reconciliations are on page 9.

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 2019. The effect of the COVID-19 pandemic will affect order bookings on a short-term basis, and hence revenue during the latter part of 2020. The long-term effects are currently very uncertain. No other significant new or changed risks were identified during the quarter.

This interim report has not been subject to review by the Company's auditors.

Linköping, 7 May 2020

Johan Friberg
CEO

Reporting schedule:

Annual General Meeting	June 2020
Interim Report April-June 2020	21 August 2020
Interim Report July-September 2020	13 November 2020
Year-end Report 2020	12 February 2021

The information in this interim 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 by the persons named below for publication at 12.45 p.m. 7 May 2020.

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

Questions will be answered by:

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Summary Consolidated Income Statement

MSEK	Jan-Mar 2020	Jan-Mar 2019	Full year 2019
Net sales	43.0	42.9	206.8
Capitalised development costs	1.1	1.2	4.9
Total revenue	44.1	44.1	211.7
Raw materials and supplies	-16.9	-17.6	-88.4
Other external costs	-6.2	-6.0	-31.2
Personnel costs	-19.0	-19.7	-78.4
Depreciation and amortisation of and impairment charges against tangible non-current assets	-4.5	-3.8	-17.0
Other operating income	0.3	0.1	-
Other operating expenses	-	-	-1.1
Operating result	-2.2	-2.9	-4.4
Net finance items	-1.3	-0.4	-2.3
Result before taxes	-3.5	-3.3	-6.7
Taxes	0.2	-0.1	-0.3
Result for the period	-3.3	-3.4	-7.0
Of which attributable to the Parent Company's equity holders	-3.3	-3.4	-7.0
Earnings per share ¹⁾	-0.04	-0.04	-0.08
Earnings per share after dilution ¹⁾	-0.04	-0.04	-0.08
Average number of shares outstanding	89.207.818	89.207.818	89.207.818
Average number of shares outstanding, after dilution	89.207.818	89.207.818	89.207.818

Consolidated Report of Comprehensive Result

Result for the period	-3.3	-3.4	-7.0
Other comprehensive result			
Items that may later be carried to the income statement			
Translation differences	0.1	0.1	0.3
Taxes attributable to items that cannot be reposted	-	-	-
Total comprehensive result	0.1	0.1	0.3
TOTAL COMPREHENSIVE RESULT FOR THE PERIOD	-3.2	-3.3	-6.7
Of which attributable to the Parent Company's equity holders	-3.2	-3.3	-6,7

¹⁾ Calculated based on average number of shares outstanding.

SEGMENT REPORTING

Group	Jan-Mar 2020	Jan-Mar 2019	Full year 2019
Revenue and result by segment			
RemaSawco	32.5	36.9	175.9
Motion Analysis	11.6	7.2	35.8
Consolidation items and Parent Company	-	-	-
Total revenue	44.1	44.1	211.7
EBITDA			
RemaSawco	-2.4	-0.4	1.5
Motion Analysis	6.0	2.5	16.4
Administrative and consolidation items	-1.3	-1.2	-5.3
EBITDA Total	2.3	0.9	12.6
Depreciation, amortisation, and impairment of tangible And intangible noncurrent assets	-4.5	-3.8	-17.0
Operating result	-2.2	-2.9	-4.4
Net finance items	-1.3	-0.4	-2.3
Result before taxes	-3.5	-3.3	-6.7
Taxes	0.2	-0.1	-0.3
Result for the period	-3.3	-3.4	-7.0

Summary Consolidated Balance Sheets

MSEK	31 March 2020	31 March 2019	31 December 2019
Non-current assets			
Goodwill	36.1	36.1	36.1
Customer relationships	42.3	50.6	44.4
Trademarks	3.7	5.7	4.2
Capitalised development costs	24.6	24.5	23.8
Tangible non-current assets	25.0	18.0	26.2
Deferred tax asset	20.5	22.3	20.5
Total non-current assets	152.2	157.2	155.2
Current assets			
Inventories	10.6	11.1	10.4
Trade receivables	40.3	36.0	44.1
Other short-term receivables	22.0	22.5	24.4
Cash and cash equivalents	2.3	10.4	3.2
Total current assets	75.2	80.0	82.1
TOTAL ASSETS	227.4	237.2	237.3
Equity (Attributable in its entirety to the Parent Company's equity holders)	129.0	135.6	132.2
Long-term liabilities			
Provision related to contingent consideration	-	10.4	-
Leasing liabilities	16.1	11.6	16.1
Deferred tax liabilities	7.6	8.2	7.8
Total long-term liabilities	23.7	30.2	23.9
Current liabilities			
Loans from credit institutions	15.4	2.4	19.2
Provision related to contingent consideration	17.2	11.5	16.2
Leasing liabilities	2.2	2.1	3.2
Trade payables	14.6	26.5	15.8
Other current liabilities	25.3	28.9	26.8
Total current liabilities	74.7	71.4	81.2
TOTAL EQUITY AAND LIABILITIES	227.4	237.2	237.3

Summary Report of Changes in Consolidated Equity

	31 March 2020	31 March 2019	Full year 2019
Opening equity according to the balance sheet	132,2	138,9	138,9
Result for the year	-3,3	-3,4	-7,0
Other comprehensive result for the period	0,1	0,1	0,3
Total comprehensive result for the period	-3,2	-3,3	-6,7
Closing equity according to the balance sheet	129,0	135,6	132,2

Summary Consolidated Cash Flow Statements

MSEK	Jan-Mar 2020	Jan-Mar 2019	Full year 2019
Cash flow from operating activities before changes in working capital	0,9	0,6	11,6
Changes in working capital			
Increase (-) / Decrease (+) in inventories	-0,2	-1,2	-0,5
Increase (-) / Decrease (+) in receivables	5,1	3,8	-5,2
Increase (+) / Decrease (-) in current liabilities	-1,8	9,2	-0,5
Total change in working capital	3,1	11,8	-6,2
Cash flow from operating activities	4,0	12,4	5,4
Investment activities			
Acquisition of Group companies	-	-	-5,8
Acquisition of intangible non-current assets	-1,1	-1,2	-4,3
Acquisition of tangible non-current assets	-	-	-5,5
Cash flow from investment activities	-1,1	-1,2	-15,6
Operative cash flow	2,9	11,2	-10,2
Financing activities			
Increase (+) in loans	-	-	23,4
Decrease (-) in loans	-3,8	-9,0	-18,2
Cash flow from financing activities	-3,8	-9,0	5,2
Cash flow for the period	-0,9	2,2	-5,0
Cash and cash equivalents at beginning of period	3,2	8,2	8,2
Translation difference in cash and cash equivalents	0,0	0,0	0,0
Cash and cash equivalents at end of period	2,3	10,4	3,2

Key Financial Indicators

Group	Jan-Mar	Jan-Mar	Full year
	2020	2019	2019
Order bookings, MSEK	38.5	73.3	211.0
Order backlog, MSEK	581	98.5	64.0
Gross margin, %	62	60	58
Operating margin, %	neg	neg	neg
Profit margin, %	neg	neg	neg
Return on capital employed, %	neg	neg	neg
Return on equity, %	neg	neg	neg
Equity ratio, %	57	57	56
Debt equity ratio	0.4	0.3	0.4
Net investments in non-current assets, MSEK	1.1	1.2	15.6
Depreciation and impairment of non-current assets, MSEK	4.5	3.8	17.0
Average number of employees	90	94	95
Number of shares outstanding at end of period, million	89.21	89.21	89.21
Average number of shares outstanding	89.21	89.21	89.21
Earnings per share ¹⁾ , SEK	-0.04	-0.04	-0.08
Cash flow per share ¹⁾ , SEK	0.03	0.12	-0.11
Equity per share ²⁾ , SEK	1.45	1.52	1.48

¹⁾ Calculated based on average number of shares outstanding.

²⁾ Calculated based on number of shares outstanding at end of period.

Quarterly Survey

Koncernen	2019				2018				2017	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Orderbookings, MSEK	38.5	70.3	24.1	43.3	73.3	74.8	27.8	32.6	27.4	35.3
Revenue, MSEK	44.1	54.9	61.3	51.4	44.1	48.2	46.3	44.0	22.3	43.3
Gross margin, %	62	58	51	66	60	59	63	59	83	63
Operating result before depreciation, amortisation (and impairment charges EBITDA), MSEK	2.3	2.6	6.7	2.4	0.9	1.8	5.6	2.5*	-1.5	7.0
Operating result (EBIT), MSEK	-2.2	-1.9	1.7	-1.3	-2.9	-1.1	2.2	0.4*	-3.4	5.1
Operating margin, %	neg	neg	2.4	neg	neg	neg	4.8	0.9	neg	11.8
Return on equity, %	neg	neg	1.1	neg	neg	neg	0.6	neg	neg	24.5
Equity ratio, %	57	56	55	58	57	62	34	33	67	67
Earnings per share, SEK	-0.04	-0.03	0.02	-0.02	-0.04	0.17	0.01	-0.03	-0.09	0.421
Cash flow per share, SEK	0.03	0.07	-0.18	-0.12	0.12	-0.18	-0.24	-0.87	-0.06	0.2
Equity per share, SEK	1.45	1.48	1.52	1.50	1.52	1.56	1.82	1.83	1.84	1.93
Average number of shares outstanding, million	89,21	89,21	89,21	89,21	89,21	55,22	38,23	38,23	38,23	38,23

*including acquisition costs of MSEK 1.8.

Definitions

Performance metric

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.

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.

Net liabilities, MSEK

Interest-bearing liabilities, less cash and cash equivalents

Other

Net investments in non-current assets, MSEK

Net investments in both intangible and tangible non-current assets and financial 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.

Equity per share, SEK

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

Summary Parent Company Income Statements

MSEK	Jan-Mar 2020	Jan-Mar 2019	Full year 2019
Revenue	1.0	0.9	4.9
Other external costs	-1.1	-0.9	-2.9
Personnel costs	-1.2	-1.3	-7.2
Other operating costs	-	-	-
Operating result	-1.3	-1.3	-5.2
Net finance items	-0.9	-0.1	-0.8
Result before taxes	-2.2	-1.4	-6.0
Year-end appropriations	-	-	25.0
Taxes	-	-	-4.1
Result for the period	-2.2	-1.4	14.9

Summary Report of Parent Company Comprehensive Result

Result for the period	-2.2	-1.4	14.9
Other comprehensive result	-	-	-
Total other comprehensive result	-	-	-
TOTAL COMPREHENSIVE RESULT FOR THE PERIOD	-2.2	-1.4	14.9

Summary Parent Company Balance Sheets

MSEK	31 March 2020	31 March 2019	31 December 2019
Non-current assets			
Shares in subsidiaries	122.1	122.1	122.1
Deferred tax asset	10.9	14.9	10.9
Total non-current assets	133.0	137.0	133.0
Current assets			
Due from Group companies	16.0	15.3	17.6
Other short-term receivables	5.0	4.9	4.4
Cash and cash equivalents	0.0	2.0	0.1
Total current assets	21.0	22.2	22.1
TOTAL ASSETS	154.0	159.2	155.1
Equity	134.2	120.1	136.4
Long-term liabilities			
Provision related to contingent consideration	-	10.4	-
Total	-	10.4	-
Current liabilities			
Provision related to contingent consideration	17.2	11.5	16.1
Trade payables	0.9	0.9	0.6
Due to Group companies	-	14.1	-
Other current liabilities	1.7	2.2	2.0
Total current liabilities	19.8	28.7	18.7
TOTAL EQUITY AND LIABILITIES	154.0	159.2	155.1

Summary Report of Changes in Parent Company Equity

MSEK	31 March 2020	31 March 2019	31 December 2019
Opening equity according to the balance sheet	136,4	121,5	121,5
Result for the period	-2,2	-1,4	14,9
Other comprehensive result for the period	-	-	-
Total comprehensive result for the period	-2,2	-1,4	14,9
Closing equity according to the balance sheet	134,2	120,1	136,4

Summary Parent Company Cash Flow Statements

MSEK	Jan-Mar 2020	Jan-Mar 2019	Full year 2019
Cash flow from operating activities before changes in working capital	-0.3	-0.8	-4.8
Changes in working capital			
Increase (-) / Decrease (+) in receivables	-1.6	-0.8	-1.1
Increase (+) / Decrease (-) in current liabilities	0.1	-0.2	-0.6
Total changes in working capital	-1.5	-1.0	-1.7
Cash flow from operating activities	-1.8	-1.8	-6.5
Investment activities			
Loans from (+) / to (-) subsidiaries	1.7	-3.5	5.1
Cash flow from investment activities	1.7	-3.5	5.1
Operative cash flow	-0.1	-5.3	-1.4
Financing activities			
Decrease (-) in loans	-	-	-5.8
Cash flow from financing activities	-	-	-5.8
Cash flow for the period	-0.1	-5.3	-7.2
Cash and cash equivalents at beginning of period	0.1	7.3	7.3
Cash and cash equivalents at end of period	0,0	2,0	0,1

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 7 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 depreciation, amortisation, and impairment charges EBITDA

MSEK	Jan-Mar 2020	Jan-Mar 2019	Full year 2019
Operating result	-2.2	-2.9	-4.4
Depreciation and amortisation of and impairment charges against tangible and intangible non-current assets	4.5	3.8	17.0
Operating result before depreciation, amortisation and interest EBITDA	2.3	0.9	12.6
Net liabilities			
	31 March 2020	31 March 2019	31 Dec 2019
Cash and cash equivalents	2.3	10.4	3.2
Provision for contingent consideration	17.1	21.9	16.2
Leasing liabilities	18.3	13.7	19.3
Interest-bearing liabilities	15.4	2.4	19.2
Net liabilities	48.5	27.6	51.5