

Interim Report Q1, 2020

January – March 2020

Federal stamp of approval creates opportunities in a turbulent time

FRISQ – the only digital solution that meets the requirements for the patient contract

FRISQ develops globally scalable digital tools for interactive communication between stakeholders in the healthcare chain. Our product supports healthcare professionals by making their work more efficient, while enabling patients to be more engaged in their own care.

Financial summary

First quarter 2020

- Net revenue amounted to 0.6 MSEK (0.6)
- Earnings per share were SEK -0.8 SEK (-0.8)
- Cash-flow amounted to 45.2 MSEK (-20.2)
- Cash balance at the end of the period was 71.9 MSEK (21.5)

CEO statement

During the first three months of the year we conducted an over-subscribed preferential rights issue of approximately 74.6 MSEK, as well as many business development initiatives with customers in Sweden and abroad. We also signed a letter of intent with Dartmouth-Hitchcock Medical Center, a prestigious academic hospital in the U.S. But the first quarter also brought with it macroeconomic challenges that few people could have imagined at the close of 2019, resulting in a major short-term shift in priorities. I am referring, of course, to the corona pandemic.

For us, the pandemic has required changes to our operations. Simply put, despite the ongoing and tense situation for our society, we are highly confident about the future and the need for a connected efficient healthcare system. Read more about our perspective on the pandemic in the operational update issued on April 29, 2020.

Working with the overburdened healthcare sector has required a specific type of responsiveness to our customers' needs and capacity, and we have had to adapt our sales procedures and daily work accordingly. Some dialogues have been put on hold, while others have been accelerated due to the unequal burden the pandemic has placed on different areas of the healthcare system. We continue to work in accordance with the focus areas presented in conjunction with the share issue conducted earlier this year.

During the quarter we have seen regions undergo a digital mobilization to meet the new needs that have arisen. The Swedish Association of Local Authorities and Regions expects that this realignment will have lasting effects on the healthcare system and the pace of renewal within the public sector. In addition, the Swedish government's official report, "Good quality, local healthcare", presented in April, identified FRISQ as the only digital solution to date that meets the requirements for the "patient contract", a fundamental component of the government's healthcare strategy.

With major challenges facing society and healthcare, we look forward to taking an active part in the development of the healthcare system and effecting real change.

Martin Irding, FRISQ CEO

Events during the period

- Letter of Intent signed with Dartmouth-Hitchcock Medical Center relating to a standard licensing agreement.
- FRISQ conducted a fully guaranteed rights issue of 7 175 460 shares at a subscription price of 9.0 SEK per share with preferential rights for the Company's existing shareholders. The rights issue was subscribed at approximately 120%. In addition, the Board chose to exercise the over-subscription option of 1 111 111 shares – in total representing an issue volume of approximately 74.6 MSEK.
- The AGM approved a warrant program and an associated rights issue of a maximum of 320,000 shares.

Subsequent events:

- A contract to use FRISQ Care was signed with the University of Lund.
- A Swedish Government report identified FRISQ as the only digital solution, to date, that meets the requirements of the "patient contract".
- The US launch plans remain but are has shifted slightly in time as FRISQ's initial customers and partners, by necessity, have refocused their near-term operations on the Covid-19 situation. OurS work will resume as soon as the U.S. market's lock-down and travel restrictions permits.
- The company stands by its previously communicated guidance, but the Covid-19 pandemic and the difficulty of currently anticipating the duration or scope of the need for the health care sector to focus on emergency care, could have implications driving a revision of these goals when opportunities and consequences are more apparent.
- The focus on developing and scaling the product remains in line with the ambitions communicated during the recently conducted rights issue.

Selected key indicators

	Q1		Full-year
	2020	2019	2019
SEK Thousands	Jan - Mar	Jan - Mar	Jan - Dec
Net sales	567	568	1 936
Operating profit/loss	-23 568	-16 311	-73 457
Earnings per share, SEK	-0.8	-0.8	-3.2
Development costs, capitalized	4 576	3 549	19 315
Cash flow	45 210	-20 213	-14 984
Cash and cash equivalents	71 915	21 476	26 705
Equity per share, SEK	10	10	8
Equity/assets ratio (%)	94	93	92
Share price at quarter end, SEK	10.0	18.4	14.2
Number of employees at end of the period	33	19	33

Operating profit/loss: Profit/loss before net financial income

Earnings per share: Net profit distributable to shareholders divided by the weighted average number of shares outstanding during the period

Development costs, capitalized: Costs for product development that are reported as assets on the balance sheet

Equity per share: Equity divided by the number of shares at close of period

Equity/assets ratio: Equity expressed as a percentage of total assets

Financial overview

Consolidated revenue and earnings, first quarter 2020

Consolidated net revenue in the first quarter amounted to 0.06 MSEK (0.6). Net revenue for the period differs from that of last year in that this year has a larger ratio of recurring license-based revenue. Net revenue is, to some extent, seasonal with a weight towards year-end. Capitalized work on own account amounted to 1.8 MSEK (0).

Other revenue amounted to 0 MSEK (0.4) and relate primarily to EU-financed commercially based innovation projects.

Consolidated costs before depreciation are primarily driven by staff related costs, development and operational expenditures, and amounted to 19.8 MSEK (13.7). The growth in expenditures is related to increased activities in product development, sales and commercial development, and include 2.2 MSEK related to marketing activities relating to the rights issue.

Total depreciation of tangible and intangible asset amounted to 6.2 MSEK (3.6). The variance, compared to the same period last year, is a

- Direct consequence of increased development efforts, and consequently a larger depreciation base from 2019 than 2018.
- Indirect consequence of the decision made last year to harmonize the product offering, resulting in a shortened expectation of useful life for assets developed during 2017 and 2018.

It is the Company's assessment that the ongoing Covid-19 pandemic does not impact the valuation of assets on the financial statements.

Operating losses for the quarter amounted to -23.6 MSEK (-16.4).

Net financial costs amounted to 0.1 MSEK (0.1) and relates to interest costs associated with right-of-use assets.

Taxes on first quarter earnings were 0.0 MSEK (0.0).

Cash-flow and financial position

During the first quarter of 2020, the Group generated a negative cash-flow from its operating activities of -16.8 MSEK (-15.2) as a result of investments in product development and commercialization in combination with, as yet, limited revenues.

Cash-flow from changes in working capital was -0.6 MSEK (-2.3), and from investment activities -4.6 MSEK (-4.3) as mostly relating to capitalized development costs. Cash-flow from financing activities for the first quarter amounted to 66.6 MSEK (-0.8) and is driven by the rights issue conducted during the quarter.

Consolidated cash and cash equivalents at close of the first quarter amounted to 71.9 MSEK (21.5). FRISQ does not have any debt financing and funds its operations through equity.

Equity at the close of the third quarter amounted to 231.0 MSEK (245.6) which is equivalent to SEK 10 (10) per share.

Investments and development costs

Investments are primarily development costs relating to the product FRISQ Care and amounted to 4.6 MSEK (3.5).

Employees

The average number of employees during the first quarter was 33 (19). At the close of the quarter, FRISQ had 33 (19) employees.

Parent Company

FRISQ Holding AB's primary focus is Group administration. Net revenue in the fourth quarter amounted to 0.4 MSEK (0.4). Operating losses amounted to -3.3 MSEK (-1.3) and include 2.2 MSEK related to marketing activities relating to the rights issue

Net revenue reflects invoicing to subsidiaries for administrative services. Costs in the parent company are primarily driven by Board related expenses and the company's listing on Nasdaq First North. Financial assets, relating to shares in subsidiaries, increased over the year by 40 MSEK as a result of shareholder contributions granted by the Parent Company.

Warrants

All programs pertain to FRISQ Holding and aim to align shareholders and employee incentives. For additional information see Minutes of Annual General Meetings from the relevant years.

Program 2018:1 in FRISQ Holding AB

The program, with a maximum of 600 000 warrants, is targeted towards key employees in the Group. The warrants have been transferred at market price as determined by independent valuations. The subscription period is June 2021. Each warrant entitles the holder to subscribe one share at a price of 44 SEK per share. If fully subscribed the company's share capital will increase by SEK 29 994.

The subscription warrants are subject to customary recalculations in connection with share issues, etc.

Program 2017:Direct issue in FRISQ Holding AB

The Extraordinary General Meeting held on 7 March 2017, decided to undertake a direct issue of a maximum of 1 100 000 subscription warrants. Each warrant entitles the holder to subscribe to a new share, by no later than 31 May 2022, at a price of 0.05 SEK corresponding to the share's quota value. The warrants were issued to secure FRISQ's commitment, given fulfillment of certain conditions, to pay an additional consideration for the acquisition of new care path concepts, prototypes and associated code.

Program 2020/2023 in FRISQ Holding AB

The program is implemented for the Director Lars Björk and aims to offer ownership in the Company for his significant involvement in the establishment of FRISQ in the US. In total, he may be awarded up to 300 000 warrants without consideration. The warrants are earned over a three years. Board membership is a prerequisite. Each warrant carries the right to subscribe to a new share, by no later than 15 April 2026, at a price of 11.44 SEK. The warrants are subject to customary recalculations in connection with share issues, etc.

Program 2020/2026:Direct issue in FRISQ Holding AB

To ensure that the Company can deliver shares in accordance with the 2020/2023 Program and cover related costs, up to 320 000 warrants can be issued. If fully subscribed the company's share capital will increase by SEK 16 000. The right to subscribe to the warrants and deviate from the shareholders' preferential rights, is bestowed upon Group companies, and encompasses the right to transfer the warrants within the same time frame and to the same price as the 2020/2023 program. The warrants are subject to customary recalculations in connection with share issues, etc.

Full subscription of the above warrants would, based on the total number of outstanding share of 32 204 773 (including 8 286 571 BTAs), increase the total number of shares by 6.3%.

Accounting principles and other information

Shares

FRISQ Holding AB is traded on Nasdaq First North since 12 October 2016 under the stock symbol FRISQ. The number of shares as per 31 March 2020 were 32 204 773 including 8 286 571 BTAs [fully paid subscription shares, in Sw. Betalda Tecknad Aktie (BTA)].

Group Structure

As per 31 March 2020, the Group comprised of the parent company FRISQ Holding AB, org. no. 556959-2867 and the wholly owned subsidiaries FRISQ AB, org. no. 556783-5664 and FRISQ USA Holding Inc. The latter owns 100% of FRISQ LLC. The US subsidiaries are in the process of being established. The Group's operating activities are conducted in FRISQ AB. The Group operates in one segment.

Transactions with related parties

During the quarter, one Board Member invoiced a total of 60 KSEK for consulting services rendered. The Group has no other material transactions other than salaries to company executives and Board Member remunerations.

Risks and uncertainties

FRISQ is a relatively young development company. The company launched its first commercial product in 2018 and still has a limited level of income. It is therefore not yet possible to draw long-term conclusions about market acceptance of the products or to predict clear trends regarding sales and earnings for the company. FRISQ is dependent upon being able to enter into licensing and partnership agreements and upon several permits, remuneration systems and associated laws, regulations, decisions by government authorities and praxes (which can all change). FRISQ is also dependent on intellectual property rights which are difficult to protect via registration. Ensuring that FRISQ's technical platforms are highly reliable and able to ensure reliability in the company's information management and protection against breaches and leaks is another factor which is crucial for our future development. In addition, FRISQ is dependent on access to customers/care staff for implementation. Until a stable level of earnings is reached and as long as product development continues, FRISQ will need capital contributions from external sources.

With the exception of the difficulty of assessing the duration, scope or implications of the need for the health sector to focus on emergency care during the prevailing Covid-19 pandemic, no adverse material changes in the perception of risks and uncertainties have occurred during the reporting period.

For further information, see Risks and uncertainties in the 2019 Annual Report.

Principles and other information

This report has been prepared up in accordance with IAS 34 Interim Reporting and the Swedish Financial Reporting Board's Recommendation RFR 1: Supplementary Accounting Rules for Groups. Accounting principles and valuation methods applied are in accordance with those described in the latest annual report, with the exception of any amended principles noted below. The parent company's accounts have been prepared in accordance with the Swedish Annual Accounts Act and with the Swedish Financial Reporting Board's Recommendation RFR2: Accounting for Legal Entities.

Changes in accounting principles

No new standards or amendments affecting the company have entered into force for the financial year beginning January 1, 2020.

Financial Calendar

Publication dates for interim and full-year reports for 2020:

- Second quarter report to be published on August 27, 2020
- Third quarter report to be published on November 12, 2020
- Full-year report to be published on February 25, 2021.

Financial reports will be made available on the company's website www.frisqholding.se on the date of publication.

Statement of assurance

This report has been adopted by the Board of Directors of FRISQ Holding on 7 May 2020.

Composition of the Governing Board: Mats Lindstrand (Chairman), and Members of the Board: Lars Björk, Anna Frick, Åke Hallman, Göran Hägglund and Per Egon Johansson.

The Board and the Managing Director, Martin Irding, certify that this interim report provides a fair assessment of the Parent Company, Group's activities, financial position, profits and describes material risks and uncertainties.

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

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Consolidated financial reporting

Consolidated profit and loss statement

SEK thousands	Q1		Full-year
	2020 Jan - Mar	2019 Jan - Mar	2019 Jan-Dec
Operating income			
Net sales	567	568	1 936
Capitalized work on own account	1 823	0	5 026
Other operating income	0	391	1 157
Operating expenses			
Other external costs	-11 605	-8 694	-33 109
Staff costs	-8 183	-4 993	-24 375
Depreciation/amortization, write-downs and impairment of tangible and intangible assets	-6 170	-3 583	-24 092
Total operating costs	-25 958	-17 270	-81 576
Operating profit/loss	-23 568	-16 311	-73 457
Net financial income	-76	-114	-306
Profit/loss after financial items	-23 644	-16 425	-73 763
Profit/loss before tax	-23 644	-16 425	-73 763
Tax on profit/loss for the period	0	0	0
PROFIT/LOSS FOR THE PERIOD	-23 644	-16 425	-73 763
Other comprehensive income			
Translation differences	0	0	5
COMPREHENSIVE INCOME FOR THE PERIOD	-23 644	-16 425	-73 758
Earnings per share before/after dilution (SEK)	-0.8	-0.8	-3.2

Consolidated balance sheet

SEK thousands	2020	2019	2019
	Mar. 31	Mar. 31	Dec. 31
ASSETS			
Fixed assets			
Capitalized development costs	36 992	39 633	37 665
Goodwill	104 490	104 490	104 490
Tangible assets	7 331	10 363	7 599
Financial assets	500	200	500
Deferred tax assets	20 936	20 936	20 936
Current assets			
Accounts receivable	281	2	717
Other receivables	4 434	67 011	5 030
Cash and cash equivalents	71 915	21 476	26 705
TOTAL ASSETS	246 879	264 111	203 642
EQUITY AND LIABILITIES			
Equity			
Share capital	1 196	1 196	1 196
Unregistered share capital	414	0	0
Other contributed capital	417 024	351 067	350 686
Translation reserve	5	0	5
Accumulated profit/loss	-187 683	-106 702	-164 040
Equity attributable to parent company shareholders	230 956	245 561	187 847
Total equity	230 956	245 561	187 847
Non-current liabilities			
Leasing liability	3 216	5 864	3 382
Total non-current liabilities	3 216	5 864	3 382
Current liabilities			
Lease liability	3 409	3 133	3 418
Accounts payable	3 312	2 876	4 589
Other liabilities	5 986	6 677	4 406
Total current liabilities	12 707	12 686	12 413
TOTAL EQUITY AND LIABILITIES	246 879	264 111	203 642

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Consolidated statement of change in equity (condensed)

SEK thousands	Q1		Full-year
	2020 Jan - Mar	2019 Jan - Mar	2019 Jan-Dec
Opening balance	187 847	200 386	200 386
Earnings for the period	-23 644	-16 425	-73 763
Other comprehensive income			
Translation difference	0	0	5
Transactions with shareholders			
Rights Issue	66 753	61 600	61 219
Closing Balance	230 956	245 561	187 847

Equity includes fund from the rights carried out in February 2020 of TSEK 74 662 is net of issue related costs of TSEK 7 909

Consolidated cashflow statement (condensed)

SEK thousands	Q1		Full-year
	2020 Jan - Mar	2019 Jan - Mar	2019 Jan-Dec
Operating profit/loss	-23 644	-16 425	-73 763
Depreciation, Amortization, write-downs and impairments	6 170	3 583	24 092
Adjustments from other non-cash items	0	0	154
Tax paid	0	0	0
Cash flow from operating activities before changes in working capital	-17 474	-12 842	-49 517
Cash flow from changes in working capital	635	-2 311	-3 204
Cash flow from operating activities	-16 839	-15 153	-52 721
Cash flow from investment activities	-4 576	-4 300	-20 414
Cash flow from financing activities	66 625	-760	58 151
Cash flow for the period	45 210	-20 213	-14 984
Cash and cash equivalents at beginning of the period	26 705	41 689	41 689
Cash and cash equivalents at close of the period	71 915	21 476	26 705

Number of shares

	Q1		Full-year
	2020 Jan - Mar	2019 Jan - Mar	2019 Jan-Dec
Opening number of shares	23 918 202	20 218 202	20 218 202
Closing number of shares including BTA:s	32 204 773	23 918 202	23 918 202
Of which BTA:s under registration	8 286 571	0	0
Average number of shares including BTA:s	29 017 630	20 464 869	23 066 695

Fully paid subscription shares, in Sw. Betalda Tecknad Aktie (BTA)

Pledged assets and contingent liabilities

SEK thousands	Group			Parent Company		
	2020 Mar. 31	2019 Mar. 31	2019 Dec. 31	2020 Mar. 31	2019 Mar. 31	2019 Dec. 31
Pledged bank balances	500	200	500	None	None	None
Right-of-use assets, cars	1 045	None	459	None	None	None
Contingent liabilities	None	None	None	None	None	None

Financial reporting – Parent Company

Profit and loss statement – Parent Company

SEK thousands	Q1		Full-Year
	2020 Jan - Mar	2019 Jan - Mar	2019 Jan-Dec
Operating income			
Net sales	450	450	2 200
Other operating income	0	0	0
Total income	450	450	2 200
Operating expenses			
Other external costs	-3 476	-1 485	-5 826
Staff costs	-236	-222	-895
Total operating expenses	-3 712	-1 707	-6 721
Operating profit/loss	-3 262	-1 257	-4 521
Net financial income	2	0	67
Operating profit/loss after financial income	-3 260	-1 257	-4 454
Profit/loss before tax	-3 260	-1 257	-4 454
Tax on profit/loss for the period	0	0	0
PROFIT/LOSS FOR THE PERIOD	-3 260	-1 257	-4 454

Balance sheet – Parent Company

SEK thousands	2020 Mar. 31	2019 Mar. 31	2019 Dec. 31
ASSETS			
Fixed assets			
Financial assets	307 063	227 053	267 063
Current assets			
Other receivables	33 093	102 656	57 366
Cash and cash equivalents	68 576	19 076	20 541
TOTAL ASSETS	408 732	348 785	344 970
EQUITY AND LIABILITIES			
Restricted equity			
Share capital	1 196	1 196	1 196
Unregistered share capital	414	0	0
Non-restricted equity			
Share premium reserve	416 772	350 816	350 435
Accumulated profit/loss	-11 159	-4 704	-7 900
Total equity	407 223	347 308	343 731
Current liabilities			
Accounts payable	300	400	1 066
Other liabilities	1 209	1 077	173
Total current liabilities	1 509	1 477	1 239
TOTAL EQUITY AND LIABILITIES	408 732	348 785	344 970

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