

Q3



Execution of the strategy yields growth and results

INTERIM REPORT FOR THE PERIOD JULY – SEPTEMBER 2019

THIRD QUARTER

- Net sales totalled SEK 27.5 (16.8) million.
- Net operating profit/loss totalled SEK 3.3 (-0.4) million.
- The profit/loss totalled SEK 3.2 (-0.7) million.
- Earnings per share totalled SEK 0,01 (0,00).
- Cash flow from operating activities totalled -3.4 (-0.2) million.

INTERIM PERIOD JANUARY - SEPTEMBER

- Net sales totaled SEK 53.1 (53.7) million.
- Net operating profit/loss totaled SEK -11.9 (-5.7) million.
- The profit/loss totaled SEK -12.3 (-7.2) million.
- Earnings per share totaled SEK -0.03 (-0.02).
- Cash flow from operating activities totaled SEK -14.7 (-17.0) million.

SIGNIFICANT EVENTS DURING THE QUARTER

- Further implementation of Precise fingerprint software in collaboration with Egis Technology
- Precise integrated in the first biometric smart card module with Mastercard CAST certificate
- Expanded offering in Digital Identity by launching YOUNiQ access - a product developed for physical access to facilities

SIGNIFICANT EVENTS AFTER THE END OF THE QUARTER

- Collaboration agreement with Infinity Optics

FINANCIAL DATA AND KEY INDICATORS

KEY INDICATORS

Amounts in SEK thousand unless otherwise stated	2019 Q3	2018 Q3	2019 Q1-Q3	2018 Q1-Q3	2018 Full year	Rullande 12 mån.
Net sales	27 521	16 817	53 111	53 697	67 645	67 059
Net sales growth, %	63,6%	66,8%	-1,1%	14,6%	10,8%	-1,2%
Gross margin, %	89,2%	84,3%	82,5%	86,4%	85,2%	82,1%
Operating profit/loss	3 259	-367	-11 883	-5 696	-19 958	-26 145
Operating margin, %	11,8%	-2,2%	-22,4%	-10,6%	-29,5%	-39,0%
Cash flow from the operating activities	-3 439	-153	-14 734	-16 988	-26 055	-23 801
Cash and cash equivalents	60 908	91 309	60 908	91 309	79 543	60 908

Definitions, see financial glossary.

PRESENTATION OF THE INTERIM REPORT

In connection with today's interim report, we include an invitation to a telephone conference/webcast today at 10:00 AM.

The conference call starts at 10:00 AM (CET).

Link to all public information such as link to audiocast and participant number for the telephone conference.

<https://financialhearings.com/event/11725>

To take part, click on the link above to listen to and follow the presentation online, or call +46850558351 to follow it over the phone.

You will be asked to state your name when you connect to the conference call and there will be an opportunity to ask questions in Swedish. The conference call will be held in English.

Participating on behalf of Precise:

Stefan K Persson, CEO

Ulrik Nilsson, CFO

CEO COMMENTS

I am proud to report a generally strong result for Q3. Our strategy to work on a more focused basis is having increasing effects, which is reflected in both revenue and results. Revenue totaled around MSEK 28, having increased by 64 percent from the same period of the previous year. Through the agreement with Egis Technology – which generated around MSEK 17 – we have strengthened our position in the Mobile area. In Q4, we expect further integration of our software in collaboration with Egis. In the Digital Identity area, too, in which we develop products in several different application areas, during the quarter we gained the first commercial orders in the access for delivery 2020 application area.

Increasing demand

We can see demand increasing for simpler and safer identification solutions for other application areas besides mobile devices, which are the focus of our Digital Identity area. One example of the application area is access, where we are developing a product for various types of access solutions. The product consists of specially-developed identification software intended for various types of authorization control. Using our identification software – and a camera connected to the system – a user's identity can be verified more smoothly and safely than ever before. The passive identification of the user entails that the user does not need to use keys or an access card to enter the door.

We have strong faith in our Digital Identity growth area and the products we are developing in this area. We continue to invest in this area, with an initial focus on the Nordic market. Most of the ongoing pilot projects, and also sales, are currently taking place in the Swedish market. The product is still at an early stage of the commercialization process, and revenue is therefore limited. We are working to scale up the product and prepare the company for higher inflows of orders from new customers in 2020.

Within Smart Card, we reached an important milestone during the quarter when our software was used in the first payment card to achieve the Mastercard CAST certificate. The certification is the result of several years' development work and proof of our strength within the commercialization that we previously announced was expected to take place in 2020 at the earliest. We look forward to continuing to develop our product for smart cards before the commercial launch of the first payment card with a fingerprint reader.

In 2019, we implemented a completely new strategy for Precise, which entailed streamlining measures, primarily in the Mobile area, and the development of the Smart Card and Digital Identity areas. We have given a new boost to our development power and will keep up this pace in our creation of new products. We continue to work on developing our identification software and also increasing our product range to suit additional application areas. Precise core is based on innovation, with a focus on meeting the demand for smooth and safe identification and enabling people to be their own keyring. Cooperation with Infinity Optics enables convenient and secure identification of the user without storing the biometric template, which is a good example of our strategic direction.

We continue to work on executing the strategy for sustained growth and performance.

Stefan K Persson, CEO

MARKET AND SALES

Precise develops and sells biometrics solutions for convenient and secure verification of people's digital identity in mobile phones, smart cards and digital platforms. The company offers the following products in each area:

Digital identity

Precise YOUNiQ® - Secures digital identity in a simple, secure way

Smart cards

Precise BioMatch® Card - Verifies fingerprints in smart cards

Mobile

Precise BioMatch® Mobile - Verifies fingerprints in mobile phones and tablets

In addition to the areas listed above, Precise is working on selected projects in cars and door locks.

Marknadsutveckling

Digital Identity

We increasingly use digital services that require identification of the user. Since the registration process is often complicated and users choose passwords that are too simple, there is growing demand for easier and safer ways of verifying our digital identity. Our increasingly more interconnected world also means that we not only use our digital identity in multiple channels, but also on several different devices, which amplifies the need for secure and effective identification.

By combining different biometric technologies to verify our digital identity, we can create the optimum balance between convenience and security. This combined technology can be applied in several different application areas, such as access to facilities, document verification and digital services, within such sectors as finance, games, healthcare and transport. According to an analysis from Goode Intelligence, by the year 2024 we can expect over two billion verifications of digital identity and documents, on an annual basis.

Smart Card

Biometrics for identity verification has become an increasingly important tool in the battle against fraud in virtually all payment channels. Payments have become the primary driver of the development of biometrics in the consumer link, and analysts expect biometric cards to be a rapidly growing area in the coming years. Card manufacturers are focusing increasingly on the certification of contactless biometric payment cards, which is a precondition for card issuers to be able to achieve a broad-based market introduction. Sales of contactless biometric payment cards are expected to commence in 2020.

According to Goode Intelligence, 579 million biometric payment cards are expected to be in use by 2023.

Mobile

Continued demand for user-friendly telephones and tablets with full screens is driving the trend for mobile devices. The next development step is sensors that cover the full screen and can read a fingerprint wherever it is placed on the display. According to an analysis from IHS Market, optical and ultrasonic sensors for telephones in the higher price segment will increase and reach more than 100 million sensors during the year. As the average price of these sensors is much higher than for capacitive sensors, they will account for a significant share of the market value for fingerprint sensors. In overall terms, the value of the market for capacitive sensors is falling, as prices are dropping faster than volumes are rising.

NET SALES AND OPERATING PROFIT/LOSS IN THE THIRD QUARTER

Net sales in the third quarter increased by 63.6% and totalled 27.5 SEK (16.8) million. Net sales split between royalty revenues SEK 8.2 (5.7) million, license fees SEK 15.9 (8.0) million, support & maintenance SEK 2.0 (2.1) million and Other SEK 1.5 (1.0) million.

The gross margin for the quarter totalled 89.2% (84.3). The total amortization of capitalized development expenses was SEK 2.6 (2.1) million. Amortizations of intangible assets totalled SEK 0.2 (0.2) million.

Operating expenses for the quarter increased by SEK 6.8 million and totalled SEK 21.3 (14.5) million. The increased costs in R&D was related to increased investments in *Digital Identity* and *Mobile*. The higher turnover has led to increased cost for commission and foreign withholding tax. Lower staff costs are related to the completed reorganization.

The operating profit/loss for the quarter totalled SEK 3.3 (-0.4) million. Improvements of the result is primarily explained by a higher gross profit, SEK 10.4 million, partly offset by increased operating expenses of SEK 6.8 million. The operating profit/loss totalled SEK 3.2 (-0.7) million. Total depreciation/write-downs totalled SEK 3.3 (2.5) million. The profit/loss at EBITDA-level totalled SEK 6.6 (2.1) million. The improvements of the result are primarily attributed to the higher turnover. Earnings per share (average number of shares) for the third quarter totalled SEK 0,01 (0,00).

NET SALES AND OPERATING PROFIT/LOSS FOR THE INTERIM PERIOD

Net sales during the interim period totalled SEK 53.1 (53.7) million, split by royalty revenue SEK 11.2 (15.9) million, license fees SEK 29.8 (28.2) million, support & maintenance SEK 7.0 (7.3) and other SEK 5.1 (2.3) million.

The gross margin during the interim period totalled 82.5% (86.4). The total amortization of capitalized development expenses was SEK 7.4 (5.3) million. Amortization of acquired intangible assets totalled SEK 0.4 (0.4) million.

Operating expenses for the interim period increased by SEK 3.6 million and totalled SEK 55.7 (52.1) million. The increased costs in R&D was related to increased investments in *Digital Identity* and *Mobile*. The higher turnover has led to increased cost for commission and foreign withholding tax. Lower staff costs are related to the completed reorganization.

The operating profit/loss for the interim period totalled to SEK -11.9 (-5.7) million, primarily due to a decrease in net profit of SEK -2.6 million together with increased operating expenses of SEK 3.6 million. Earnings for the period totalled SEK -12.3 (-7.2) million. The operating profit/loss at EBITDA level totalled SEK -2.2 (0.6) million. Earnings per share (average number of shares) for the period totalled SEK -0.03 (-0.02).

NET FINANCIAL ITEMS AND TAX

Precise holds no interest-bearing debt besides debt for leasing. Financial net is primarily connected with leasing debt according to IFRS 16. Net financial items for the total operations during the second quarter totalled SEK -0.1 (-0.2) million and the tax expense totalled SEK -0.1 (-0.2) million.

Net financial items for the total operations for the interim period totalled SEK -0.1 (-0.8) million and the tax expense totalled SEK -0.4 (-0.8) million.

CASH FLOW AND INVESTMENTS

Cash flow from the company's total operating activities in the quarter totaled SEK -3.4 (-0.2) million. Costs related to the reorganization that was accounted for in the fourth quarter in 2018 impacted cash flow by SEK 0.1 million. During the interim period the Group has invested SEK 0 (0) million in tangible assets.

Cash flow from the company's total operating activities in the interim period totaled SEK -14.7 (-17.0) million. Adjusted for the costs related to the reorganization that was accounted for in the fourth quarter in 2018, the cash flow amounted to SEK -10.8 million. The costs related to the reorganization has reduced the cash flow by SEK 3.9 million. During the interim period the Group has invested SEK 0.2 (0.3) million in tangible assets.

CAPITALIZATION AND AMORTIZATION OF DEVELOPMENT WORK

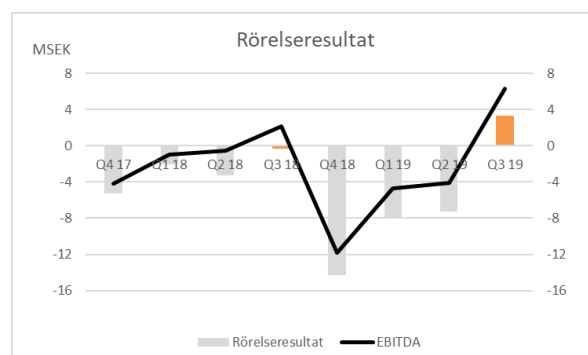
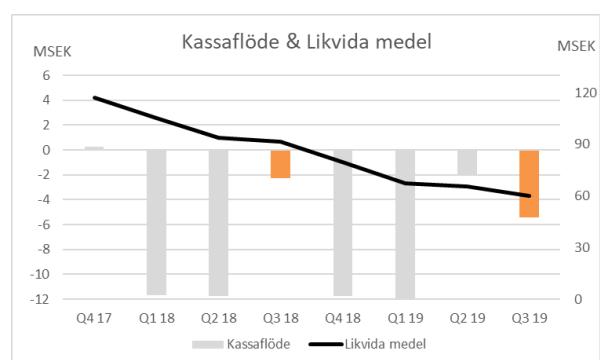
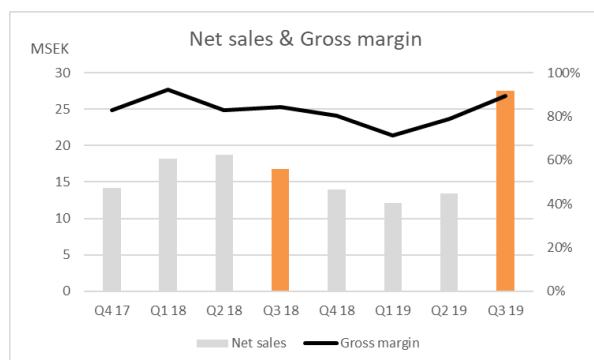
During the third quarter, development expenses of SEK 1.0 (2.0) million were capitalized. Depreciation of capitalized development expenses totaled SEK 2.6 (4.4) million.

During the interim period, development expenses of SEK 4.1 (8.3) million were capitalized. Depreciation of capitalized development expenses totalled SEK 7.4 (4.4) million.

FINANCIAL POSITION AND LIQUIDITY

Cash and cash equivalents at the end of the interim period totaled SEK 60.9 (91.3) million.

Total equity at the end of the interim period totaled SEK 113.4 (139.4) million and equity per share was SEK 0.31 (0.39).



THE PARENT COMPANY

The parent company's net sales during the interim period amounted to SEK 52.1 (53.3) million. The operating profit/loss totaled SEK -6.2 (-6.9) million and was affected by amortizations of goodwill totaling SEK 1.8 (1.8) million.

Cash and cash equivalents at the end of the quarter totaled SEK 57.6 million (90.0) and total equity amounted to SEK 107.6 million (135.5).

ORGANIZATION AND STAFF

The organization consists of the head office in Lund, Sweden and offices in Potsdam, USA and Shanghai, China. At the end of the interim period the Group had a workforce of 42 (43) people, including on-site consultants. The number of employees were 22 (33), of which 15 (28) in Sweden. Precise works agile together with several partners, which entail a fast-moving, scalable, organization. The number of employees does not include partners.

REPORTING DATES

Year-end report 2019	February 14, 2020
Q1 Interim report 2020	May 15, 2020
Q2 Interim report 2020	August 18, 2020
Annual general meeting	May 15, 2020

RISK FACTORS

The Group's and the parent company's business risks and risk management as well as the management of financial risks are described in detail in the Annual Report for 2018. The risk associated with the sale of the Mobile Smart Card Solutions business area is if expected commission revenues are not received, in which case there may be a write-down requirement. Otherwise there have been no events of significant importance during the year that would affect or change these descriptions of the Group's or the parent company's risks and how they are managed.

OWNERSHIP STRUCTURE

Precise Biometrics AB (publ), corporate ID number 556545-6596, is the parent company in the Precise Biometrics Group. Precise Biometrics AB's shares are listed on the Small Cap list of the Nasdaq OMX Nordic. The number of shareholders at the end of the full-year period was 21 288 (22 894). 131 218 553 shares were traded during the second quarter. The closing price on September 30 was SEK 1.73, and during the second quarter the share price fluctuated between SEK 1.24 and, SEK 1.92.

AUDIT

This interim report has been audited by the company's auditors.

The undersigned certifies that the interim report provides a true and fair view of the parent company's and the Group's operations, financial position and financial results, and describes the significant risks and uncertainty factors faced by the parent company and the companies that belong to the Group.

Lund, November 15 2019

Torgny Hellström,

Chairman of the Board

Torbjörn Clementz,

Board member

Mats Lindoff,

Board member

Synnöve Trygg,

Board member

Åsa Schwarz,

Board member

Stefan K Persson

CEO

For more information, please contact:

Stefan K. Persson, CEO

Telefon: +46 707 92 08 31

E-mail: stefan.k.persson@precisebiometrics.com

This information is information that Precise Biometrics AB is obliged to disclose pursuant to the EU Market Abuse Regulation. The information was submitted for publication on 15 November 2019, 08:00 CET.

AUDITORS REVIEW REPORT

Precise Biometrics AB (publ), org.nr 556545-6596

To the Board of Precise Biometrics AB (publ)

Introduction

We have performed a general review of the summary of the financial interim report (interim report) for Precise Biometrics AB (publ) as of September 30, 2019 and the nine-month period that ended on that date. It is the responsibility of the Board and the CEO to prepare and present this interim report in accordance with IAS and the Swedish Annual Accounts Act. It is our responsibility to express a conclusion on this interim report on the basis of our general review.

The emphasis and scope of the general review

We have conducted our general review in accordance with the International Standard on Review Engagements ISRE 2410 General review of financial interim information conducted by the company's elected auditors. A general review consists of making inquiries, in the first instance of persons who are responsible for financial issues and accounting issues, to conduct an analytical review and to perform other general review measures. A general review has a different focus and is of a significantly smaller scope in comparison with the focus and scope of an audit in accordance with the International Standards on Auditing and otherwise generally accepted auditing standards. The review measures performed during a general review do not allow us to obtain a sufficient degree of certainty so as to be aware of all the important circumstances we would have identified if an audit were conducted. Therefore, the opinion we have expressed on the basis of a general review does not have the same degree of certainty as an opinion based on an audit.

Conclusion

On the basis of our general review we have not found any circumstances that have given us reason to believe that the interim report has not in all material respects been prepared in accordance with IAS 34 and the Swedish Annual Accounts Act, and for the parent company in accordance with the Swedish Annual Accounts Act.

Malmö, November 15, 2019

Ernst & Young AB

Johan Thuresson

Authorized Public Accountant

CONSOLIDATED INCOME STATEMENT

Amounts in SEK thousands	Note	2019 Q3	2018 Q3	2019 Q1 - Q3	2018 Q1 - Q3	2018 Full year	Rullande 12 mån.
Net sales	2	27 521	16 817	53 111	53 697	67 645	67 059
Cost of goods sold		-2 962	-2 639	-9 311	-7 280	-10 000	-12 031
Gross profit		24 559	14 178	43 800	46 417	57 645	55 028
Sales expenses		-8 068	-6 005	-18 944	-21 121	-27 664	-25 487
Administrative expenses		-3 234	-2 849	-11 541	-11 801	-15 508	-15 248
R&D expenses		-10 539	-5 683	-26 016	-18 739	-33 519	-40 796
Other operating income/expenses		541	-8	818	-453	-911	360
		-21 300	-14 545	-55 683	-52 113	-77 602	-81 172
Operating profit/loss		3 259	-367	-11 883	-5 696	-19 958	-26 145
Financial income/expenses		67	-73	-69	-757	-608	80
Profit/Loss before tax		3 326	-439	-11 952	-6 453	-20 565	-26 065
Tax		-127	-229	-379	-767	-1 622	-1 234
Profit/Loss for the period		3 199	-668	-12 331	-7 220	-22 187	-27 298
Profit/Loss after tax from discontinued operations		-255	228	-255	741	1 733	737
Profit/loss for the period attributable to parent company shareholders		2 944	-440	-12 586	-6 479	-20 454	-26 561
Earnings per share, remaining operations, SEK							
- before dilution		0,01	0,00	-0,03	-0,02	-0,06	-0,07
- after dilution		0,01	0,00	-0,03	-0,02	-0,06	-0,07
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME							
Profit/Loss for the period		2 944	-440	-12 586	-6 479	-20 454	-26 561
Other comprehensive income:							
<i>Items that may be reclassified to profit or loss</i>							
Changes in accumulated exchange rate differences		56	-15	57	122	226	161
Other comprehensive income for the period		56	-15	57	122	226	161
Profit/Loss total		3 000	-455	-12 529	-6 358	-20 228	-26 399

CONSOLIDATED BALANCE SHEET

Amounts in SEK, thousands

Assets	Note	2019-09-30	2018-09-30	2018-12-31
Assets				
Fixed assets	3	8 848	964	918
Immaterial assets		44 113	47 660	47 955
Deferred tax		4 834	5 339	5 213
Total fixed assets		57 795	53 963	54 086
Current assets				
Accounts receivable	4	26 548	14 799	19 667
Other current receivables	4	2 938	4 887	3 931
Accruals and deferred income	4	1 280	7 249	1 560
Cash and cash equivalents	4	60 908	91 309	79 543
Total current assets		91 674	118 244	104 701
TOTAL ASSETS		149 469	172 207	158 787
EQUITY AND LIABILITIES				
EQUITY				
EQUITY		113 351	139 387	125 481
Total equity attributable to parent company shareholders		113 351	139 387	125 481
Long-term liabilities				
Long-term liabilities		6 873		
Total long-term liabilities		6 873	0	0
Current liabilities				
Current liabilities	4	29 245	32 820	33 306
Total current liabilities		29 245	32 820	33 306
TOTAL EQUITY AND LIABILITIES		149 469	172 207	158 787

CONSOLIDATED CASH FLOW

Amounts in SEK, thousands	Note	2019 Q3	2018 Q3	2019 Q1 - Q3	2018 Q1 - Q3	2018 Full year	Rullande 12 mån
Cash flow from operating activities		5 979	2 277	-3 808	2 092	-9 339	-15 239
Cash flow from changes in working capital		-9 418	-2 430	-10 926	-19 080	-16 716	-8 562
Cash flow from operating activities		-3 439	-153	-14 734	-16 988	-26 055	-23 801
Cash flow from investment activities		-1 121	-2 103	-4 399	-8 693	-11 386	-7 092
Cash flow from financing activities		-6	0	396	-60	-96	360
Cash flow for the period		-4 566	-2 256	-18 737	-25 741	-37 537	-30 533
Cash and cash equivalents at the start of the period		65 416	93 580	79 543	116 955	116 955	91 309
Translation difference in cash and cash equivalents		58	-15	102	95	125	132
Cash and cash equivalents at the end of the period *		60 908	91 309	60 908	91 309	79 543	60 908

* The balance sheet item cash and cash equivalents contain only bank balances at the beginning of the period and at the end of the period.

CHANGES IN EQUITY

Amounts in SEK, thousands	Note	2019 Q1 - Q3	2018 Q1 - Q3	2018 Full year	Rullande 12 mån
Equity at start of period		125 481	145 805	145 805	139 387
Profit/Loss					
Profit/Loss for the period		-12 586	-6 479	-20 454	-26 561
Other comprehensive income					
Exchange differences		60	122	226	165
Total other comprehensive income		60	122	226	165
Total comprehensive income		-12 526	-6 357	-20 228	-26 396
Transactions with share holders					
Share issue	5	396	-60	-96	360
Total transactions with shareholders		396	-60	-96	360
Equity at end of period		113 351	139 387	125 481	113 351

NOTE 1 – ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with IAS 34, Interim Reporting. The parent company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Annual Reporting Board's recommendation RFR2 Accounting for Legal Entities. The recognition and measurement policies as well as the bases of estimates applied in the Annual Report for 2018 have been used in this interim report. No new or revised IFRS's that has come into force in 2019 has had any effect on the company's financial reports, except IFRS 16.

IFRS 16 Leases

IFRS 16 came into force on January 1, 2019 and replaced IAS 17. The right-of-use assets shall be reported in the balance sheet as assets and the lease payments should be included as interest payments. The costs should be divided in interest expense on the lease liability and depreciation of the right-of-use asset. When accounting for a leasing agreement an average interest rate of 3 % is used based on information from external actor. The largest lease liability is a rental agreement for the business operation in Lund.

The company chose the simplified transition method, which means that the comparative figures (2018) will not be recalculated to correspond.

The Group applies the exceptions which entails that leasing contracts with a leasing period of maximum 12 months and leasing agreement where the value of the asset is low will be excluded from the calculation of the leasing debt. These costs are accounted for as linear in the income statement. Non-lease components have been included in the calculation of the leasing liabilities.

IFRS 16 is only applied at consolidated level.

NOT 2 – REVENUE ALLOCATION

Amounts in SEK, thousands	2019 Q3	2018 Q3	2019 Q1 - Q3	2018 Q1 - Q3	Full year 2018	Rullande 12 mån.
Revenue type						
Royalty	8 220	5 725	11 198	15 893	18 020	13 325
Licenses	15 896	7 999	29 826	28 208	36 952	38 570
Support & Maintenance	1 953	2 091	7 014	7 262	9 544	9 296
Other	1 452	1 001	5 073	2 334	3 129	5 868
Total	27 521	16 817	53 111	53 697	67 645	67 059
Region/Country						
Europe	2 978	3 123	8 803	9 909	11 883	10 777
- whereof Sweden	1 348	2 426	3 724	5 061	6 115	4 778
Asia	20 391	9 895	32 332	32 760	40 820	40 392
- whereof China	707	1 739	4 958	10 128	13 202	8 032
- whereof Taiwan	17 423	2 409	23 042	8 095	9 993	24 940
USA	4 152	3 798	11 976	11 028	14 942	15 890
Total	27 521	16 817	53 111	53 697	67 645	67 059
Timing of revenue recognition						
Services transferred over time	17 849	10 090	36 840	35 740	46 496	47 866
Services transferred at a certain time	9 672	6 727	16 271	18 227	21 149	19 193
Total	27 521	16 817	53 111	53 697	67 645	67 059

NOT 3 – Financial effects of the change to IFRS 16

As of January 1, 2019, the new accounting standard IFRS 'Leases' is applied, which means that assets and liabilities from leasing contracts will be accounted for in the balance sheet. Below, the effects from the transition to IFRS 16, the new leases standard in the balance sheet and income statement is presented.

INCOME STATEMENT IN SUMMARY, GROUP

Amounts in SEK, thousands	2019	2019	2019
	Q1 - Q3	Q1 - Q3	Q1 - Q3
	Excl IFRS 16	IFRS 16	Acc. IFRS
Net sales	53 111		53 111
Cost of goods sold	-9 311		-9 311
Gross profit	43 800		43 800
Sales expenses	-18 970	26	-18 944
Administrative expenses	-11 549	8	-11 541
R&D expenses	-26 085	69	-26 016
Other operating income/expenses	818		818
Operating profit/loss	-11 986	103	-11 883
Financial income/expenses	161	-230	-69
Earnings before tax	-11 825	-127	-11 952
Tax	-379		-379
Profit/Loss for the period	-12 204	-127	-12 331
Profit/loss after tax from divested operations	-255		-255
Profit/loss for the period, total operations	-12 459	-127	-12 586
Profit/loss for the period, attributable to stake holders in the parent company	-12 459	-127	-12 586

BALANCE SHEET IN SUMMARY, GROUP

Amounts in SEK, thousands Asstes	Acc. IFRS			2019-09-30	IFRS 16	2019-09-30
	CB 1812	effekt	OB 1901	Excl. IFRS 16	effekt	Acc. IFRS
Assets						
Fixed assets	918	9 180	10 098	786	8 062	8 848
Intangible assets	47 955		47 955	44 113		44 113
Deferred tax	5 213		5 213	4 834		4 834
Total fixed assets	54 086	9 180	63 266	49 733	8 062	57 795
Current assets						
Accounts receivable	19 667		19 667	26 548		26 548
Other current receivable	3 931		3 931	2 938		2 938
Prepaid cost and accrued income	1 560		1 560	1 280		1 280
Cash and cash equivalents	79 543		79 543	60 908		60 908
Total current assets	104 701	0	104 701	91 674	0	91 674
TOTAL ASSETS	158 787	9 180	167 967	141 407	8 062	149 469
EQUITY AND LIABILITIES						
Equity						
Equity	125 481	2	125 483	113 477	-126	113 351
Total equity	125 481	2	125 483	113 477	-126	113 351
Total equity attributable to parent company shareholders	125 481	0	125 481	113 477	-126	113 351
Long-term liabilities						
Long-term liabilities	0	7 768	7 768	0	6 873	6 873
Total long-term liabilities	0	7 768	7 768	0	6 873	6 873
Current liabilities						
Current liabilities	33 306	1 410	34 715	27 931	1 314	29 245
Total current liabilities	33 306	1 410	34 715	27 931	1 314	29 245
TOTAL EQUITY AND LIABILITIES	158 787	9 180	167 967	141 407	8 062	149 469

NOT 4 - FINANCIAL INSTRUMENTS

	<u>2019-09-30</u>	<u>2018-09-30</u>
	Bokfört värde	Bokfört värde
Financial assets		
<i>Financial assets valued at the accrued cost of acquisition</i>		
Accrued income	26 548	19 897
Accounts receivable	2 937	7 037
Other receivable	60 908	91 309
Cash and cash equivalents	<u>90 393</u>	<u>118 244</u>
Financial liabilities		
<i>Financial liabilities at fair value via the income statement</i>		
Derivates	0	647
<i>Financial liabilities valued at the accrued cost of acquisition</i>		
Accounts payable	4 668	2 254
Other liabilities	505	2 915
Other accrued expenses	6 540	5 623
Total	<u>11 713</u>	<u>11 439</u>

Derivatives consist of forward currency contracts and are used for hedging purposes and are valued according to level 2. The fair value with respect to other financial assets and liabilities corresponds in all material respects with the carrying amount in the balance sheet.

NOT 5 OPTION PROGRAMS

At the annual general meeting in 2017, a decision was made to offer an incentive program for the company's employees to the effect that a maximum of five million (5,000,000) stock options could be issued, with each stock option providing entitlement to subscribe to one (1) share in the company. Subscription to the stock options was to take place no later than December 31, 2017. Subscription through the exercising of stock options may take place during the period June 1, 2020 until June 30, 2020. The subscription price for the options was set at SEK 0.06 and the subscription price for the shares at SEK 5.40. At the end of the first half of 2019, 1,230,000 options had been subscribed, corresponding to 25% of the total stock option; this was after options subscribed by employees, including former CEO, had been bought back. Assuming that all stock options are exercised to subscribe to new shares, the number of shares in the company will increase by 1,330,000 shares.

At the annual general meeting 2019, a decision was made to offer an incentive program for the company's CEO and CFO by way of issuing a maximum of 1,300,000 stock options, with each stock option providing entitlement to subscribe to one (1) share in the company. Subscription to the stock options was to take place no later than June 31, 2019, with the board having the right to extend the subscription period. Subscription through the exercising of the subscription warrants may take place during June 1, 2022 until June 30, 2022. The subscription price for the options is set at SEK 0.32 and the subscription price for the shares at SEK 1.65. At the end of the first half of 2019, 1,300,000 options had been subscribed, corresponding to 100% of the total stock option. Assuming that all stock options are exercised to subscribe to new shares, the number of shares in the company will increase by 1,300,000 shares.

Dilution is considered in cases where earnings per share deteriorate. Dilution has been considered as the average share price during the interim period was above the price of the incentive program decided 2019.

INCOME STATEMENT, PARENT COMPANY

		2019	2018	2019	2018	2018	Rullande
Amounts in SEK thousand	Not	Q3	Q3	Q1-Q3	Q1-Q3	Full year	12 mån.
Net sales		27 247	16 460	52 084	53 320	66 940	65 704
Cost of goods sold		-5 053	-3 265	-15 179	-9 013	-12 372	-18 538
Gross profit		22 194	13 194	36 905	44 307	54 568	47 166
Marketing and sales expenses		-7 453	-6 015	-17 172	-21 071	-27 593	-23 694
Administrative expenses		-3 218	-2 852	-11 511	-11 893	-15 592	-15 210
R&D expenses		-9 713	-5 217	-23 658	-18 475	-32 850	-38 033
Other operating income/expenses		247	-2 331	563	232	659	990
		-20 137	-16 415	-51 778	-51 207	-75 376	-75 947
Operating profit/loss		2 057	-3 220	-14 873	-6 899	-20 808	-28 782
Financial income/expenses		148	320	162	-364	-6	520
Profit/loss before tax		2 205	-2 900	-14 711	-7 264	-20 808	-28 255
Tax		0	-144	0	-420	-420	0
Profit/loss for the period*		2 205	-3 044	-14 711	-7 684	-21 228	-28 255

*Result for the period is equivalent of total result for the period

BALANCE SHEET, PAENT COMÅANY

Amounts in SEK thousand

ASSETS	Note	2019-09-30	2018-09-30	2018-12-31
Fixed assets				
Fixed assets		472	675	647
Intangible assets		38 652	44 650	44 332
Financial assets		7 958	7 538	8 949
Total fixed assets		47 082	52 862	53 928
Current assets				
Accounts receivable		26 190	14 637	19 276
Other current receivables		2 938	5 621	3 931
Prepaid costs and accrued income		1 143	6 908	1 488
Cash and cash equivalents		57 572	89 994	78 016
Total current assets		87 843	117 160	102 712
TOTAL ASSETS		134 925	170 022	156 640
EQUITY AND LIABILITIES				
EQUITY				
Equity		107 598	135 499	121 913
Total equity		107 598	135 499	121 913
Long-term liabilities				
Long-term liabilities		0	103	
Total long-term liabilities		0	103	0
Current liabilities				
Current liabilities		27 327	34 420	34 727
Total current liabilities		27 327	34 420	34 727
TOTAL EQUITY AND LIABILITIES		134 925	170 022	156 640

CONSOLIDATED KEY FIGURES

	2019	2018	2019	2018	2018	Rullande
Amounts in SEK thousand unless otherwise stated	Q3	Q3	Q1 - Q3	Q1 - Q3	Full year	12 mån
Net sales	27 521	16 817	53 111	53 697	67 645	67 059
Net sales growth, %	63,6%	66,8%	-1,1%	14,6%	10,8%	-1,2%
Gross margin, %	89,2%	84,3%	82,5%	86,4%	85,2%	82,1%
Operating profit/loss	3 259	-367	-11 883	-5 696	-19 958	-26 145
Operating profit/loss, total operations	3 004	-139	-12 138	-4 956	-18 225	-25 407
Working capital, total operations	62 429	85 424	62 429	85 424	71 395	62 429
Capital employed, total operations	120 224	139 387	120 224	139 387	125 481	120 224
Liquidity ratio, total operations, %	313%	360%	313%	360%	314%	313%
Equity/assets ratio, total operations, %	75,8%	80,9%	75,8%	80,9%	79,0%	75,8%
Return on equity, total operations, %	2,5%	neg	neg	neg	neg	Neg
Earnings per share before dilution, SEK	0,01	0,00	-0,03	-0,02	-0,06	-0,08
Earnings per share before dilution, total operations, SEK	0,01	0,00	-0,03	-0,02	-0,06	-0,07
Earnings per share after dilution, SEK	0,01	0,00	-0,03	-0,02	-0,06	-0,08
Earnings per share after dilution, total operations, SEK	0,01	0,00	-0,03	-0,02	-0,06	-0,07
Equity per share, total operations, SEK	0,31	0,39	0,31	0,39	0,35	0,31
Number of shares (thousands)	360 231	360 231	360 231	360 231	360 231	360 231
Weighted average number of shares, adjusted for dilution effect (thousands)	361 531	360 231	360 664	360 231	360 231	360 556
Number of employees at the end of the period	22	33	22	33	27	22
Average number of employees during the period	22	33	23	34	32	25

RECONCILIATION OF ALTERNATIVE KEY INDICATORS

	2019	2018	2019	2018	2018	Rullande
Amounts in SEK thousand unless otherwise stated	Q3	Q3	Q1 - Q3	Q1 - Q3	Full year	12 mån.
Net sales	27 521	16 817	53 111	53 697	67 645	67 059
Net sales growth, %	63,6%	66,8%	-1,1%	14,6%	10,8%	-1,2%
Gross profit	24 559	14 178	43 800	46 417	57 645	55 028
Net sales	27 521	16 817	53 111	53 697	67 645	67 059
Gross margin, %	89,2%	84,3%	82,5%	86,4%	85,2%	82,1%
Operating profit/loss	3 259	-367	-11 883	-5 696	-19 958	-26 145
Net sales	27 521	16 817	53 111	53 697	67 645	67 059
Operating margin, %	11,8%	-2,2%	-22,4%	-10,6%	-29,5%	-39,0%
Operating profit/loss remaining operations	3 259	-367	-11 883	-5 696	-19 958	-26 145
Operating profit/loss discontinued operations	-255	228	-255	740	1 733	737
Rörelseresultat total verksamhet	3 004	-139	-12 139	-4 956	-18 225	-25 408
EBITDA	6 587	2 108	-2 206	629	-11 189	-14 024
Depreciation and amortization	-3 328	-2 475	-9 677	-5 393	-7 837	-12 121
Write-downs	0	0	0	-932	-932	0
Operating profit/loss remaining operations	3 259	-367	-11 883	-5 696	-19 958	-26 145
EBITDA	6 332	2 336	-2 462	1 369	-9 456	-13 287
Depreciation and amortization	-3 328	-2 475	-9 677	-5 393	-7 837	-12 121
Write-downs	0	0	0	-932	-932	0
Operating profit/loss total operations	3 004	-139	-12 138	-4 956	-18 225	-25 407
Sales expenses	-8 068	-6 005	-18 944	-21 121	-27 664	-25 487
Administrative expenses	-3 234	-2 849	-11 541	-11 801	-15 508	-15 248
R&D expenses	-10 539	-5 683	-26 016	-18 739	-33 519	-40 796
Other operating income/expenses	541	-8	818	-453	-911	360
Total operating expenses	-21 300	-14 545	-55 683	-52 113	-77 602	-81 171
Balance sheet total, total operations	149 469	172 207	149 469	172 207	158 787	149 469
Non-interest-bearing liabilities, total operations	29 245	32 820	29 245	32 820	33 306	29 245
Capital employed, total operations	120 224	139 387	120 224	139 387	125 481	120 224
Closing equity, total operations	113 351	139 387	113 351	139 387	125 481	113 351
Average equity, total operations	116 694	142 116	116 694	142 116	137 034	116 694
Current assets minus inventories	91 674	118 244	91 674	118 244	104 701	91 674
Current liabilities	29 245	32 820	29 245	32 820	33 306	29 245
Liquidity ratio, total operations	313%	360%	313%	360%	314%	313%
Equity	113 351	139 387	113 351	139 387	125 481	113 351
Total assets	149 469	172 207	149 469	172 207	158 787	149 469
Equity/assets ratio, total operations	75,8%	80,9%	75,8%	80,9%	79,0%	75,8%
Profit/loss after tax	2 944	-440	-12 586	-6 479	-20 454	-26 561
Average equity, total operations	116 694	142 116	116 694	142 116	137 034	116 694
Return on equity, total operations	2,5%	Neg	Neg	Neg	Neg	Neg

FINANCIAL GLOSSARY

NET SALES GROWTH

Percentage change compared with the corresponding period in the previous year. A key figure on how the company's sales are growing.

GROSS MARGIN

Gross profit/loss divided by net sales. Shows how large share of sales that remains to cover salaries, operating costs, interests and profits.

OPERATING PROFIT/LOSS

Profit/loss before financial net and tax. A key figure on how the company's profit before interests and taxes, i.e. the difference between revenue and operating costs. Divestment operations are not included in total operations.

OPERATING PROFIT/LOSS, TOTAL OPERATION

Operating profit/loss plus profit/loss after tax from discontinued operation. A key figure on the company's profits before interest and taxes, i.e. the difference between revenues and operating costs. Divested operations are part of the total operation.

OPERATING EXPENSES

Operating expenses excluding cost of goods sold. Operating expenses are costs that is not connected directly to a specific good or group of goods. Normal operating expenses are for example, salaries and other personnel costs and rentals costs.

EBITDA

Profit/loss before financial net and depreciation. This key figure shows the Group's profit/loss before depreciation/amortization of capitalized assets. The figure enables comparisons with other companies independent of the operation based on acquisitions or via organic growth.

OPERATING MARGIN

Operating profit/loss divided by net sales. Specifies how large share of each crown that remains to cover interest, tax and provide a potential profit.

CASH FLOW, TOTAL OPERATION

Cash flow from operating activities after changes in working capital. The operating cash flow indicates if a company is generating enough positive cash flow to maintain and develop its operations, or if extern financing is necessary.

WORKING CAPITAL, TOTAL OPERATION

Current assets minus current liabilities. This key figure t shows the capital a company needs to finance the operating activities.

CAPITAL EMPLOYMENT, TOTAL OPERATION

Total assets less non-interest-bearing liabilities and provisions. The key figure shows how much capital that is used in the operations and with that the one component to measure return from the operations.

EQUITY, TOTAL OPERATION

Equity at the end of the period. Equity is the difference between assets and liabilities, which corresponds to the company's equity capital contributed by owners and the Group's accumulated results.

AVARAGE EQUITY, TOTAL OPERATION

Calculated as equity for the last four quarters divided by four.

LIQUIDITY RATIO, TOTAL OPERATION

Current assets excluding inventories divided by current liabilities. This key figure shows the Group's ability to pay in the short term.

EQUITY/ASSETS RATIO, TOTAL OPERATION

Equity divided by total assets on the balance sheet date. This key figure shows what proportion of assets is funded by equity. This measure can be of interest when assessing the Group's ability to pay in the long term.

RETURN ON EQUITY, TOTAL OPERATION

Profit/loss after tax divided by average equity. This key figure shows the operation's return on shareholders' capital invested and is thus a measure of how profitable the Group is. Investors can compare this measure with the current bank interest rate or return from alternative investments. The measure can also be used to compare profitability between companies in the same industry.

EARINGS PER SHARE, REMAINING OPERATION, BEFORE DILUTION

Profit/loss for the period from remaining operation divided by average number of shares.

EARNINGS PER SHARE, REMAINING OPERATION, AFTER DILUTION

Profit/loss for the period from remaining operation divided by weighted average number of shares.

EARNING PER SHARE, TOTAL OPERATION, BEFORE DILUTION

Profit/loss for the period from total operation divided by average number of shares.

EARNINGS PER SHARE, TOTAL OPERATION, AFTER DILUTION

Profit/loss for the period from total operation divided by weighted average number of shares.

EQUITY PER SHARE, TOTAL OPERATION

Equity on the balance sheet date divided by the number of shares on the balance sheet date.