

# Q3 Interim Report

## 2020

### Condensed statement of financial performance

- Net sales for the quarter totaled SEK 701 thousand (3,344). Sales for the quarter comprise revenue related to the sale of Dosell. In previous years, this item also included revenue attributable to the iZafe Security business area, which was sold.
- Operating profit for the quarter totaled SEK 7,255 thousand (-4,028) including one-off effects related to the sale of iZafe AB. Excluding the sale of the Security business area the operating was SEK -6,745 thousand (-4,028).
- Operating profit for the quarter totaled SEK 7,103 thousand (-4,130) including one-off effects related to the sale of iZafe AB. Excluding the sale of iZafe Security, earnings after financial items totaled SEK -6,897 thousand (-4,130).
- Cash flow for the period was SEK 8,818 thousand (-456), as a result of the payment received for the sale of iZafe AB.
- Earnings per share for the quarter, basic and diluted, totaled SEK 0.2 (-0.2).
- Equity per share at the end of the period was SEK 1.1 (1.4).
- The equity ratio at the end of the period was 87.4 percent (51.7).

### Significant events during the third quarter

- iZafe Group sold the Security business area, thereby creating a dedicated and financially strong Life Science

### Sale of iZafe Security

Until the third quarter, iZafe Group engaged in business relating to personal alarms and security solutions within the Security business area of the subsidiary iZafe AB, the company that has to date generated the majority of the Group's revenue. The purchase consideration was SEK 40 million, on a debt-free basis.

The strategy behind the sale is to create a dedicated and financially strong Life Science company based on iZafe's Dosell medication dispensing robot. With time, resources and capital freed up, the Group can now launch a campaign focused on commercialization of Dosell and the Healthcare business area.

company focused on the Healthcare business area and the Dosell medication dispensing robot.

- Following a successful pilot project in Norway, iZafe's partner Doro Care AS placed an initial order for 50 medication dispensing robots.
- iZafe's Italian partner has initiated an operational phase at a pharmacy in the Trento region, where equipment that packages medications in sachets has been installed.
- A pilot project was initiated with the care service provider Attendo. The goal of the project is to produce documentation for decision-making regarding the potential implementation of the Dosell medication dispensing robot for use in Attendo's home services business.
- The short-term credit facility taken out in the second quarter was repaid in its entirety.

### Major events after the reporting period

- A pilot project was initiated with the care service provider TioHundra AB involving 30 medication dispensing robots. The results will provide a basis for identifying areas where welfare technology can contribute to more efficient, safer operations at TioHundra in Norrtälje Municipality, Sweden.
- iZafe published a patent application that the company submitted relating to the further development of the Dosell medication dispensing robot. The application is international and will enable iZafe Group to have patents approved in over 150 countries.

### About iZafe Group

iZafe Group, a dedicated Life Science company, is leading the development of digital drug dispensing. The company engages in research, development and marketing of digital medical solutions and services for safer medication management at home.

iZafe's Dosell medication dispensing robot reduces the risk of medication errors at home, relieves the burden on the healthcare system, improves quality of life for patients and creates a safer environment for family and relatives.

Customers are currently public and private sector care providers in Sweden, the Nordic region and worldwide. iZafe primarily sells through well-established partners who already possess close, long-term customer relationships with the prioritized customer groups. The Group is headquartered in Stockholm, Sweden.

iZafe Group AB has been listed on Nasdaq First North Premier Growth Market since 2018.

iZafe Group AB (publ)

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# Business overview

After the sale of the security business, iZafe Group is well-positioned to focus on providing solutions to some of the major challenges that society currently faces: an aging population in which many people live longer, as well as an increase in medications prescribed to people over the age of 65. During the quarter and the first half of the year, iZafe Group strengthened its position on the market as the safety of elderly individuals and other vulnerable risk groups has come into the spotlight in relation to the COVID-19 pandemic. As a growing number of initiatives to digitize health services are implemented and measures to reduce the spread of COVID-19 adopted, iZafe Group and Dosell shall be well-positioned as the obvious choice.

As a dedicated Life Science company, iZafe Group can now develop and market Dosell to become the leading digital medication dispensing robot for safer medication management at home. Dosell reduces the risk of medication errors, increases safety for family and relatives, while relieving the burden on all participants in elderly care. iZafe's products and services are the hub of a digital system that simplifies patient medication dispensing, enabling individuals who are under treatment at home to remain at home longer while maintaining a safe and dignified lifestyle.

By introducing Dosell into the care chain, care providers and recipients can ensure that patients receive their drugs at the right time, while minimizing the need for physical contact in the process, regardless of whether the user is a nursing home resident or lives at home.

Dosell along with the Dosell app are the hub of the home digital health system. Dosell's technology is open and its flexibility creates opportunities to integrate Dosell with existing digital systems and products used in health care by our partners. Openness and the potential to integrate Dosell strengthen iZafe's competitive edge in the market for medication dispensing robots and associated digital welfare solutions.



# Market overview

## Italy

The ongoing Semplici Farma by REMEDIO S.R.L. service has progressed well despite the devastating effects of the pandemic on Italy. An initial operational phase has begun at a pharmacy in the Trento region, where the first machine for packaging medications in sachets has been installed. Active marketing and sales to 10,000 pharmacies have begun and Dosell is being presented in the media and on social platforms as a highly strategic component of the unique new medication chain that is being created. Semplici Farma is a consumer solution aimed primarily at users who pay the cost of renting Dosell out of pocket. We are carefully studying this business model for potential implementation of similar models in other markets in which we already have a presence or plan to establish one.

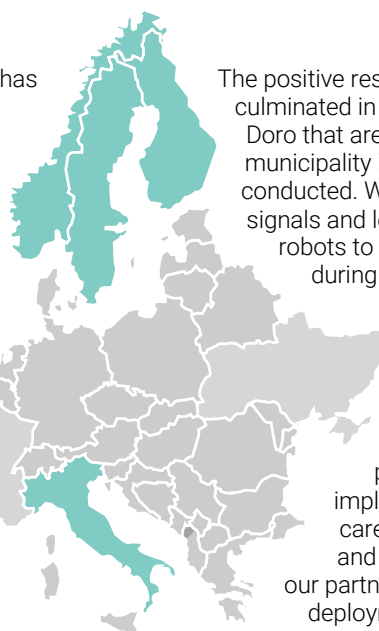
The Italian market has substantial potential, with 8.8 million residents over the age of 65 who currently take more than five medications daily. Italy will be an extremely important piece of the puzzle for our global roll-out in 2021–2022.

## Norway

During the year we won a number of contracts with new partners, at the same time that we successfully integrated Dosell into their technological welfare platforms. We participated through our partner Hepro AS in the largest tender for welfare technology to date in Norway. The contract covers the purchase of about 1,800 medicine dispensers for 62 Norwegian municipalities. Because of the coronavirus pandemic, the municipalities' ordering procedures have been somewhat delayed and will therefore be completed later than expected.

We have worked closely with Hepro regarding the municipalities' requests and requirements for functionality throughout the procurement process, thereby gaining extremely valuable knowledge about what features we will add over time to enhance user-friendliness. We share a common objective with Hepro: our medication dispensing robot will be the obvious choice in Norway.

In addition to the contract with Hepro, we conducted a successful pilot project with our other Norwegian partner, Doro Care AS, in which Dosell was evaluated over the past year by one of the 30 municipalities at which Doro currently has deployed its technological welfare platform.



The positive results of the pilot project culminated in an order for 50 robots from Doro that are being deployed to users in the municipality in which the pilot project was conducted. We are receiving favorable signals and look forward to delivering our robots to more of Doro's customers during the first half of 2021.

## Sweden

In Sweden, pilot projects have been initiated with care service providers TioHundra and Attendo. To increase the prospects for broad-based implementation in Sweden, we are carefully monitoring the projects and working to train and support our partners to ensure successful deployment of Dosell.

Our two Swedish partners, Zafe Care Systems AB and Viser AB, have worked during the autumn on assuming the agreements and thereby operations with our existing municipal customers. Meanwhile, we are gradually streamlining the organization to support our partners, while scaling up operations at a faster pace in more markets.

## Finland

We have successfully completed verification of the Finnish sachets that serve as the foundation of our collaboration with our Finnish partner Vivago. During the autumn, major training initiatives have been carried out prior to the first pilot project in Finland, which is expected to be launched by the turn of the year. During the pilot project, 20 users will use Dosell to help dispense medications.

## Other markets

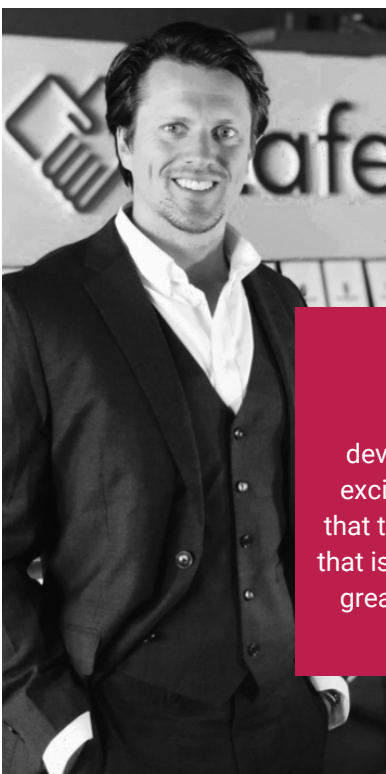
We notice that other countries, such as the UK and Germany, are extremely curious about Dosell. The UK is carefully studying the models in the Scandinavian countries and their use of welfare technology. Several of our current partners are established there today. In Germany, we are engaged in discussions to find the right partner. Both the UK and Germany are major markets and exciting prospects for next year. We have had a highly rewarding year during which we accumulated experience and insights that have facilitated the acquisition of new partners, enabling the integration of Dosell in different versions that are adapted to the user, regardless of whether the consumer or the public healthcare system pays the bill.



# Comments by the CEO

At the beginning of the quarter the sale of iZafe Security closed successfully, thereby freeing up the resources needed to accelerate commercialization and globalization of the Dosell medication dispensing robot. The sale was carried out after the iZafe Group Board of Directors conducted an evaluation to determine how the current organization and product offering could

ultimately result in profitability and a return on investment. Together with management, we concluded that iZafe should become a dedicated Life Science company, for which reason the decision to sell the safety and security business was a logical step in the process.



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We look forward to the developments in Italy with great excitement and we can conclude that the consumer version of Dosell that is being launched there also has great potential in other markets.”

A dedicated Life Science company based on Dosell has the best prospects for growth.

Through future investments in the product and market, combined with an organization that focuses solely on one business area, we become a strong participant on a rapidly growing market in Sweden and abroad.

I am pleased with the way that we have maintained our close contacts with customers and partners despite the coronavirus pandemic and interest in Dosell and our technology has increased as a growing number of decision-makers and opinion leaders have recognized the importance of digitalization within health services and elderly care. However, like most other participants in the market, we have noted that purchasing decisions and deployment have taken longer since health services and society have been forced to prioritize where time should be spent. Globalization has its challenges in that we have

not been able to visit new markets in person. Net sales for the quarter totaled SEK 701 thousand (3,344), relating exclusively to revenue attributable to Dosell. The corresponding period last year also included revenue attributable to the iZafe Security business area, which was sold. Operating profit for the period totaled SEK 7,255 thousand (-4,028) including the one-off effect related to the sale of iZafe Security. Excluding the sale, the operating loss was SEK -6,745 thousand (-4,028).

Our business with our Norwegian partners has continued according to plan and we have seen favorable commercial development for Dosell in Norway. We have completed the validation of sachets in Finland and look forward to the upcoming first pilot project. On the Swedish market, an important milestone was achieved when we launched pilot projects with care service providers Attendo and TioHundra. The projects enable us to demonstrate the possibilities that Dosell represents regarding facilitating and creating safer medicine dispensing within the home help services and personal assistance business area in Sweden.

Collaboration within the framework of the Semplici Farma project in Italy has increased sharply after the total lockdown that Italy imposed last spring. Marketing of the concept has begun with Dosell occupying a prominent position. We look forward to the developments in Italy with great excitement and we can conclude that the consumer version of Dosell that is being launched there also has great potential in other markets. We have also noticed strong interest in Dosell from other countries, especially the UK and Germany.

After the end of the quarter a submitted patent application relating to further development of Dosell was published, which will enable us to achieve our ambition to create a healthcare setting at home through Dosell and the Dosell app.

Given current trends in society and our strong position, I am confident that we will be able to continue to launch and commercialize Dosell in our markets.

Stockholm in November  
Anders Segerström, CEO of iZafe

# Key figures

## Group

SEK 000s	2020	2019	2020	2019	2019
	July-Sept.	July-Sept.	Jan.-Sept.	Jan.-Sept.	Jan.-Dec.
Net sales	701	3,344	8,820	9,857	14,328
Operating profit/loss (EBIT)	7,255	-4,028	-2,984	-15,392	-22,565
Profit/loss after financial items (EBT)	7,103	-4,130	-3,715	-15,690	-23,204
Basic/diluted earnings per share, SEK	0.2	-0.2	-0.1	-0.9	-1.2
Equity per share, SEK	1.1	1.4	1.1	1.4	1.3
Equity ratio, %	87.4%	51.7%	87.4%	51.7%	51.4%
Share price on the balance-sheet date, SEK	4.0	3.9	4.0	3.9	2.3
Number of shares at end of period	32,768,510	20,727,951	32,768,510	20,727,951	28,928,187
Average number of shares outstanding	32,768,510	20,465,481	32,127,066	17,658,341	19,862,106
Average number of employees	8	14	14	13	13
Number of employees at end of period	8	16	8	16	14

## Definitions

### Operating profit/loss

Profit/loss before net financial items

### Basic earnings per share

Basic earnings per share is calculated by dividing income attributable to Parent Company shareholders by the weighted average number of outstanding common shares during the period.

### Equity per share

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

### Equity ratio

Equity as a percentage of total assets.

### Average number of employees

Average number of employees during the period converted to full-time equivalents.

# Financial overview

## GROUP

### SALES AND EARNINGS, JULY-SEPTEMBER 2020

Net sales for the quarter totaled SEK 701 thousand (3,344). The big change between the quarters is attributable to the sale of the subsidiary iZafe AB in July. Previously, revenue was primarily attributable to the sale of personal alarms and security products through iZafe AB. Revenue for the quarter is exclusively attributable to sales of the Dosell digital medication dispensing robot, which generates revenue through both hardware sales and recurring subscription fees.

Other operating income for the quarter totaled SEK 13,682 thousand (0). SEK 14,000 thousand relates to capital gains on the divestment of shares in iZafe AB and SEK -318 thousand relates to repayment of previously received government funding for short-term layoffs.

Goods for resale for the quarter totaled SEK 280 thousand (0), and are attributable in their entirety to expenses relating to sold Dosell robots. Other external costs for the quarter totaled SEK 3,609 thousand (3,310). External costs decreased in conjunction with the divestment for iZafe AB, though costs for commercialization and development of Dosell simultaneously increased in conjunction with adaptation of the product to sell it in other countries. Since this relates to a modification of the product, the amount is expensed in full. Personnel costs for the quarter totaled SEK 2,019 thousand (2,735). The reduction is directly related to the sale of iZafe AB. The average number of employees for the quarter was 8, to be compared with 14 employees for the corresponding period the previous year.

Amortization and depreciation of intangible assets for the quarter totaled SEK 988 thousand (980) and is mainly attributable to capitalized development expenditure relating to Dosell. Amortization and depreciation of property, plant and equipment for the quarter totaled SEK 222 thousand (347) and is attributable to amortization and depreciation of equipment, tools, fixtures and fittings, as well as right-of-use assets. The comparative year also includes amortization and depreciation of personal alarms, attributable to the divested company iZafe AB.

Net financial items for the quarter totaled SEK -152 thousand (-102) and are mainly attributable to interest on external deposits from credit institutions, other current financial borrowings, bank overdraft facilities and interest on lease liabilities. In conjunction with the sale of iZafe AB all loans to credit institutions were settled.

Profit/loss before taxes for the quarter totaled SEK 7,103 thousand (-4,130), of which SEK 14,000 thousand of profit for the year relates to the capital gains arising from the sale of shares in iZafe AB. Earnings per share totaled SEK 0.2 (-0.2).

### SALES AND EARNINGS, JANUARY-SEPTEMBER 2020

Net sales for the period totaled SEK 8,820 thousand (9,857). Revenue is primarily attributable to sales of personal alarms and security products, but also to sales attributable to the Dosell digital medication dispensing robot. Net sales have decreased as a natural consequence of the sale of the shares in iZafe AB during the period, for which reason the third quarter only relates to Dosell revenue.

Goods for resale for the period totaled SEK 506 thousand (0), and are attributable in their entirety to expenses relating to sold Dosell robots. Other external costs for the quarter totaled SEK 13,258 thousand (11,924). This increase between the years is mainly attributable to the commercialization and development of the Dosell medication dispensing robot.

Personnel costs for the period totaled SEK 8,202 thousand (9,333). The reduction is directly related to the sale of iZafe AB at the beginning of the third quarter. The average number of employees for the period was 14, to be compared with 13 employees for the corresponding period the previous year. Some members of the personnel team were on short-term layoffs during part of the first half of the year. The government grants for short-term layoffs were recognized as other operating income totaling about SEK 0.5 million. iZafe has also benefited from the reduced employer contributions that the government approved for the period April-June, which means lower social security costs, thereby contributing to lower personnel costs.

Amortization and depreciation of intangible assets for the period totaled SEK 3,372 thousand (2,955) and are mainly attributable to capitalized development expenditure relating to Dosell. Amortization and depreciation of property, plant and equipment for the quarter totaled SEK 940 thousand (1,037) and are attributable to amortization and depreciation of personal alarms, right-of-use assets and equipment, tools, fixtures and fittings.

Net financial items for the period totaled SEK -731 (-298) and are mainly attributable to interest on external deposits from credit institutions, other current financial borrowings, bank overdraft facilities and interest on lease liabilities. During the period, the company raised short-term credits which were repaid at the end of the period.

Profit/loss before taxes for the quarter totaled SEK -3,627 thousand (-15,690), of which SEK 14,000 thousand of profit for the year relates to the capital gains arising from the sale of shares in iZafe AB. Tax on earnings for the period totaled SEK 88 thousand (0) and was attributable to the change in deferred tax. Earnings per share totaled SEK -0.1 (-0.9).

## FINANCIAL POSITION, CASH FLOW AND LIQUIDITY

Cash flow from operating activities for the third quarter amounted to SEK -7,271 thousand (-5,072) as a result of the adaptation of Dosell for foreign markets, as well as commercialization of the product in combination with continued limited revenue. Cash flow from working capital totaled SEK -1,584 thousand (-2,269). Cash flow from operating activities for the period January-September amounted to SEK -18,196 thousand (-20,631) as a result of the adaptation of Dosell for foreign markets, as well as commercialization of the product in combination with continued limited revenue. Cash flow from working capital totaled SEK -4,793 thousand (-8,933).

Cash flow from investing activities for the third quarter totaled SEK 20,311 thousand (-11). The quarter was impacted by inflows and net proceeds from the sale of iZafe AB amounting to SEK 20,397 thousand after adjustment for the Group's internal receivables, redemption of credits and after transaction costs. In addition, purchases relating to equipment were capitalized during the quarter. Cash flow from investing activities for the period January-September totaled SEK 18,732 thousand (-3,633) and follows the same pattern as the change for the quarter.

Cash flow from financing activities for the quarter totaled SEK -4,222 thousand (4,627). During the period the short-term credits raised during the second quarter totaling SEK 4,000 thousand were repaid, along with associated interest. Financing activities were also impacted by a change in the lease liability. For the corresponding period the previous year, the change is mainly attributable to the inflow of proceeds related to the private placement, deposits from the Board/CEO, change in overdraft facilities and amortization of loans and lease liabilities.

Cash flow from financing activities for the period January-September totaled SEK 815 thousand (23,062). During the period all loans to credit institutions and associated interest were settled. In addition, SEK 6,074 thousand was received in conjunction with warrants and the final payment of a rights issue that was completed at the end of 2019. For the corresponding period the previous year, the change is mainly attributable to the inflow of proceeds related to the private placement, deposits from the Board/CEO, change in overdraft facilities and amortization of loans and lease liabilities.

Cash and cash equivalents at the end of the period totaled SEK 8,818 thousand (5).

Total assets at the end of the quarter amounted to SEK 39,691 thousand (54,341). Total assets decreased as a result of the sale of the subsidiary iZafe AB. The most significant item on the balance sheet at the end of the quarter is intangible assets, largely attributable to development costs related to Dosell totaling SEK 25,022 thousand (28,966).

## INVESTMENTS AND DEVELOPMENT EXPENDITURE

Investments for the quarter totaled SEK 87 thousand (11) and relate to the acquisition of equipment, tools, fixtures and fittings. No development expenditure was capitalized relating to the development of Dosell since the product is fully developed and has been launched on the market. The product modifications made on an ongoing basis are expensed as they arise.

## PARENT COMPANY

Group-wide functions are conducted within the Parent Company, which also employs the CEO and executive management. Negative other operating income relates to repayment of previously received support for short-term layoffs. The Parent Company has invoiced the subsidiaries for management fees, which are eliminated at the Group level. Registered share capital as of the balance sheet date totaled SEK 32,768,510. The number of shares in the Parent Company totaled 32,768,510 and the par value per share was SEK 1.

# Condensed income statement

## GROUP

SEK 000s	2020	2019	2020	2019	2019
	July-Sept.	July-Sept.	Jan.-Sept.	Jan.-Sept.	Jan.-Dec.
<b>Operating income</b>					
Net sales	701	3,344	8,820	9,857	14,328
Other operating income	13,682	0	14,497	0	0
<b>Total revenue</b>	<b>14,383</b>	<b>3,344</b>	<b>23,317</b>	<b>9,857</b>	<b>14,328</b>
<b>Operating costs</b>					
Goods for resale	-280	0	-506	0	0
Other external expenses	-3,609	-3,310	-13,258	-11,924	-17,723
Personnel costs	-2,019	-2,735	-8,202	-9,333	-12,874
Depreciation and amortization of property, plant and equipment and intangible assets	-1,210	-1,327	-4,312	-3,992	-5,757
Other operating expenses	-10	0	-23	0	-539
<b>Total expenses</b>	<b>-7,128</b>	<b>-7,372</b>	<b>-26,301</b>	<b>-25,249</b>	<b>-36,893</b>
<b>Operating profit/loss</b>	<b>7,255</b>	<b>-4,028</b>	<b>-2,984</b>	<b>-15,392</b>	<b>-22,565</b>
Net financial items	-152	-102	-731	-298	-639
<b>Profit/loss after financial items</b>	<b>7,103</b>	<b>-4,130</b>	<b>-3,715</b>	<b>-15,690</b>	<b>-23,204</b>
Tax on profit for the period	0	0	88	0	88
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>7,103</b>	<b>-4,130</b>	<b>-3,627</b>	<b>-15,690</b>	<b>-23,116</b>
<b>Basic earnings per share (SEK)</b>	<b>0.2</b>	<b>-0.2</b>	<b>-0.1</b>	<b>-0.9</b>	<b>-1.2</b>

*Profit/loss for the period corresponds to total comprehensive income.*



# Condensed statement of financial position

## GROUP

SEK 000s	2020 Sept. 30	2019 Sept. 30	2019 Dec. 31
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	0	19,836	13,387
Other intangible assets	25,022	28,966	35,779
Property, plant and equipment	81	2,291	2,143
Right-of-use assets	72	935	719
Financial assets	225	263	225
<b>Currents assets</b>			
Inventories	2,854	0	503
Accounts receivable	669	1,824	3,091
Current receivables	1,950	221	8,438
Cash and cash equivalents	8,818	5	7,467
<b>Total assets</b>	<b>39,691</b>	<b>54,341</b>	<b>71,752</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	32,769	20,728	28,928
Unregistered share capital	0	2,169	3,186
Additional paid-in capital	56,582	48,797	55,796
Retained earnings including profit/loss for the period	-54,644	-43,591	-51,017
<b>Total equity</b>	<b>34,707</b>	<b>28,103</b>	<b>36,893</b>
<b>Provisions</b>			
Deferred tax liabilities	0	0	1,668
<b>Total provisions</b>	<b>0</b>	<b>0</b>	<b>1,668</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	0	4,225	4,150
Lease liabilities	0	75	0
<b>Current liabilities</b>			
Interest-bearing liabilities	750	2,869	6,050
Lease liabilities	75	877	737
Accounts payable	1,741	4,059	6,877
Other current liabilities	2,418	14,133	15,377
<b>Total liabilities</b>	<b>4,984</b>	<b>26,238</b>	<b>33,191</b>
<b>Total equity and liabilities</b>	<b>39,691</b>	<b>54,341</b>	<b>71,752</b>

# Condensed statement of changes in equity

## GROUP

SEK 000s	2020	2019	2020	2019	2019
	July-Sept.	July-Sept.	Jan.-Sept.	Jan.-Sept.	Jan.-Dec.
<b>Equity, opening balance</b>	<b>27,604</b>	<b>24,415</b>	<b>36,893</b>	<b>10,117</b>	<b>10,117</b>
<b>Comprehensive income</b>					
Profit/loss for the period	7,103	-4,130	-3,627	-15,690	-23,116
<b>Transactions with owners</b>					
Ongoing rights issue	0	2,288	0	6,507	7,008
New share issue	0	4,081	0	19,087	38,736
Redemption warrants/convertible instruments	0	1,536	1,441	8,236	8,364
Issue expenses	0	-87	0	-154	-4,276
Warrants, premiums paid	0	0	0	0	60
<b>Equity, closing balance</b>	<b>34,707</b>	<b>28,103</b>	<b>34,707</b>	<b>28,103</b>	<b>36,893</b>

# Condensed statement of cash flows

## GROUP

SEK 000s	2020	2019	2020	2019	2019
	July-Sept.	July-Sept.	Jan.-Sept.	Jan.-Sept.	Jan.-Dec.
<b>Operating profit/loss</b>	<b>7,255</b>	<b>-4,028</b>	<b>-2,984</b>	<b>-15,392</b>	<b>-22,565</b>
Adjustments for non-cash items	-12,790	1,327	-9,688	3,992	6,323
Interest received, etc.	1	0	1	2	3
Interest paid out etc.	-153	-102	-732	-300	-642
Tax paid	0	0	0	0	0
Cash flow from operating activities before changes in working capital	-5,687	-2,803	-13,403	-11,698	-16,881
Cash flow from changes in working capital	-1,584	-2,269	-4,793	-8,933	1,562
Cash flow from operating activities	-7,271	-5,072	-18,196	-20,631	-15,319
Cash flow from investing activities	20,311	-11	18,732	-3,633	-5,570
Cash flow from financing activities	-4,222	4,627	815	23,062	27,149
Cash flow for the period	8,818	-456	1,351	-1,202	6,260
Cash and cash equivalents at start of period	0	461	7,467	1,207	1,207
<b>Cash and cash equivalents at close of period</b>	<b>8,818</b>	<b>5</b>	<b>8,818</b>	<b>5</b>	<b>7,467</b>

# Net sales and earnings by operating segment

	2020	2019	2020	2019	2019
SEK 000s	July-Sept.	July-Sept.	Jan.-Sept.	Jan.-Sept.	Jan.-Dec.
External sales Health	606	250	1,330	775	1,080
External sales Security	0	3,094	7,395	9,082	13,248
Other external	95	0	95	0	0
Internal sales Health	0	0	0	0	0
Internal sales Security	0	0	109	964	917
Internal sales Other	711	0	1,267	0	364
Eliminations	-711	0	-1,376	-964	-1,281
<b>Net sales</b>	<b>701</b>	<b>3,344</b>	<b>8,820</b>	<b>9,857</b>	<b>14,328</b>
Other operating income	13,682	0	14,497	0	0
Direct expenses Health	-280	-248	-722	-283	-385
Direct expenses Security	0	-1,448	-2,539	-3,315	-4,717
Contribution margin Health	326	2	608	492	695
Contribution margin Security	0	1,646	4,856	5,767	8,531
Other external expenses	-3,619	-1,614	-10,526	-8,326	-13,160
Personnel costs	-2,019	-2,735	-8,202	-9,333	-12,874
Depreciation/Amortization	-1,210	-1,327	-4,312	-3,992	-5,757
<b>Operating profit/loss</b>	<b>7,255</b>	<b>-4,028</b>	<b>-2,984</b>	<b>-15,392</b>	<b>-22,565</b>
Net financial items	-152	-102	-731	-298	-639
<b>Profit/loss before taxes</b>	<b>7,103</b>	<b>-4,130</b>	<b>-3,715</b>	<b>-15,690</b>	<b>-23,204</b>

# Condensed income statement

## PARENT COMPANY

SEK 000s	2020 July-Sept.	2019 July-Sept.	2020 Jan.-Sept.	2019 Jan.-Sept.	2019 Jan.-Dec.
<b>Operating income</b>					
Net sales	806	0	1,362	0	364
Other operating income	-107	0	0	0	0
<b>Total revenue</b>	<b>699</b>	<b>0</b>	<b>1,362</b>	<b>0</b>	<b>364</b>
<b>Operating costs</b>					
Other external expenses	-3,637	-808	-5,685	-4,599	-7,663
Personnel costs	-1,667	-417	-2,719	-2,021	-2,838
Depreciation and amortization of property, plant and equipment and intangible assets	-6	-932	-6	-2,829	-3,781
<b>Total expenses</b>	<b>-5,310</b>	<b>-2,157</b>	<b>-8,410</b>	<b>-9,449</b>	<b>-14,282</b>
<b>Operating profit/loss</b>	<b>-4,611</b>	<b>-2,157</b>	<b>-7,048</b>	<b>-9,449</b>	<b>-13,918</b>
Net financial items	7,177	0	6,767	-70	-276
<b>Profit/loss after financial items</b>	<b>2,566</b>	<b>-2,157</b>	<b>-281</b>	<b>-9,519</b>	<b>-14,194</b>
Tax on profit for the period	0	0	0	0	0
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>2,566</b>	<b>-2,157</b>	<b>-281</b>	<b>-9,519</b>	<b>-14,194</b>



# Condensed balance sheet

## PARENT COMPANY

SEK 000s	2020 Sept. 30	2019 Sept. 30	2019 Dec. 31
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	0	28,411	0
Property, plant and equipment	81	60	0
Financial assets	30,225	8,028	58,000
<b>Currents assets</b>			
Current receivables	11,338	1,189	8,583
Cash and bank balances	7,669	5	4,202
<b>Total assets</b>	<b>49,313</b>	<b>37,693</b>	<b>70,785</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Restricted equity</b>			
Share capital	32,769	20,728	28,928
Unregistered share capital	0	2,169	3,186
Development expenditure reserve	0	28,210	0
<b>Unrestricted equity</b>			
Share premium reserve	56,522	48,797	55,736
Retained earnings including profit/loss for the period	-42,323	-65,636	-42,042
<b>Total equity</b>	<b>46,968</b>	<b>34,268</b>	<b>45,808</b>
<b>Non-current liabilities</b>			
Other non-current liabilities	0	0	0
<b>Current liabilities</b>			
Accounts payable	376	2,123	4,934
Other current liabilities	1,969	1,302	20,043
<b>Total liabilities</b>	<b>2,345</b>	<b>3,425</b>	<b>24,977</b>
<b>Total equity and liabilities</b>	<b>49,313</b>	<b>37,693</b>	<b>70,785</b>

# Accounting policies, risks and supplementary information

## **NOTE 1. COMPANY INFORMATION**

The Group's business includes development and marketing of products that contribute to safer, higher quality health care in the home for both the Swedish and the international markets. The Group develops and sells the product Dosell, with the purpose of promoting reliable and safe dispensing of medications.

The Group's Parent Company, iZafe Group AB (Company reg. no. 556762-3391), is a public limited-liability company with its registered office in Stockholm, Sweden. The Company's Class B shares are listed on Nasdaq First North Premier. The subsidiary Dosell AB (company reg. no 556898- 3018), develops and produces medical device products. The subsidiary iZafe AB (company reg. no. 556598- 8812), which develop technology and digital services, was sold during the quarter. Up to and including the time of divestment the Group's operations were divided into two segments: Health and Security.

In this report iZafe Group AB (publ) is referred to either by its full name or as the Parent Company, and the iZafe Group is referred to as iZafe or the Group. All amounts are expressed in SEK thousand unless otherwise stated.

## **NOTE 2. PRINCIPLES FOR PREPARATION OF THE INTERIM REPORT**

The Group applies the Swedish Annual Accounts Act and International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), as well as the Swedish Financial Reporting Board's RFR 1 Supplementary Accounting Rules for Groups, when preparing financial statements. The Parent Company applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's Recommendation RFR 2, Accounting for Legal Entities, when preparing financial statements. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. For detailed information about the company's accounting policies please refer to the most recently published annual report.

### **Note changes in significant accounting policies**

A number of new standards and amendments of standards came into effect for the financial year starting January 1, 2020. None are deemed to have any effect on the consolidated financial statements.

## **NOTE 3. RELATED-PARTY TRANSACTIONS**

At the end of the period interest-bearing liabilities to related parties totaled SEK 750 thousand. The loans carry an interest rate of 5 percent and are to be repaid on request or may be set off against shares in iZafe. The Board of Directors of the company has also invoiced for consulting services from its own companies totaling SEK 586 thousand for the quarter and SEK 766 thousand for the period January-September. Besides these, the Group had no related party transactions during the reporting period other than customary wages and remuneration to the Board and executive management.

## **NOTE 4. FINANCIAL RISKS**

Through its operations, iZafe is exposed to various financial risks, such as market risk, credit risk, exchange rate risk and liquidity risk. The Group's management and Board of Directors actively work to minimize these risks. A detailed description of risks can be found in the most recently published annual report.

## **NOTE 5. MATERIAL RISKS AND UNCERTAINTIES**

The Group's operations consist of sales of the patented Dosell medication dispensing robot as well as associated subscription fees. Dosell was launched on the market relatively recently. Consequently, as yet it is not possible to draw any far-reaching conclusions regarding market acceptance of the product, or to identify sales and earnings trends. Moreover, the Company is largely dependent on intellectual property that is difficult to protect through registration.

The Company's ability to meet future liquidity needs is largely dependent on successful sales and profitability. There is no guarantee that the company would be able to acquire necessary liquidity as needed. The Board believes that the significant uncertainties associated with the COVID-19 pandemic are not of such character and scope that the Company's ability to continue its operations will be affected over the foreseeable future.

## **NOTE 6. THE iZAFE SHARE**

iZafe has issued two classes of shares, Class A shares and Class B shares. Class B shares have been traded since January 2, 2018, on NASDAQ First North Premier. Class A shares carry ten votes per share and Class B shares carry one vote per share. As of September 30, 2020, share capital stood at SEK 32,768,510, distributed over 600,000 Class A shares and 32,168,510 Class B shares, with a par value of SEK 1 per share.

## **NOTE 7. WARRANTS**

As of September 30, 2020, the Group has four outstanding warrant programs.

#### **Warrants - T09 series**

The maximum number of warrants is 1,000,000. The warrants are aimed at the lenders who contributed to a credit facility during the second quarter of 2020. For each warrant, holders shall have the right to subscribe for one Class B share in the company at a subscription price corresponding to 85 percent of the volume-weighted average price of the Company's Class B share from April 5, 2021 through April 9, 2021, though a minimum of SEK 2.20 and a maximum of SEK 2.60. Subscription of shares in the company on the basis of warrants shall take place during the period from April 12, 2021 through April 16, 2021. At the end of the quarter, 1,000,000 warrants were allocated.

Upon full exercise share capital will increase by SEK 1,000,000. The warrants are subject to customary conversion terms in connection with issues, etc. The maximum dilutive effect of the warrant program is about 3 percent of the total number of shares and votes in the Company.

#### **Warrants - T08B series**

The maximum number of warrants is 2,862,129. The warrants are aimed at those shareholders who participated in the rights issue at the end of 2019. For each warrant, holders shall have the right to subscribe for one Class B share in the company at a subscription price corresponding to 75 percent of the volume-weighted average price of the Company's Class B share from November 16, 2020 through November 27, 2020, though a minimum of SEK 3.30 and a maximum of SEK 4.40. Subscription of shares in the company on the basis of warrants shall take place during the period from December 4, 2020 through December 18, 2020. At the end of the quarter, 2,289,704 warrants were allocated.

Upon full exercise share capital will increase by SEK 2,289,704. The warrants are subject to customary conversion terms in connection with issues, etc. The maximum dilutive effect of the warrant program is about 7 percent of the total number of shares and votes in the Company.

#### **Warrants – T07 series**

The maximum number of warrants is 1,800,000. The warrants are aimed at Board of Directors. The 2019 Annual General Meeting resolved to issue 1,000,000 warrants of series T07, with deviation from shareholders' preferential rights, to the subsidiary iZafe AB. The AGM also resolved to approve the transfer of these warrants to employees. The warrants have been transferred at market price according to an independently established valuation (Black & Scholes valuation model). All warrants of class T07 carry the right to subscribe for 1.06 Class B shares in the Company at a subscription price of SEK 10.30. At the end of the quarter, 1,000,000 warrants were allocated, of which 0 warrants were subscribed.

Upon full exercise share capital will increase by SEK 2,800,000. The number of shares that each warrant entitles the holder to subscribe for and the subscription price will be adjusted in accordance with the full terms and conditions of the warrants. The warrants are subject to customary conversion terms in connection with issues, etc. T07 warrants may be exercised through April 10, 2021. The maximum dilutive effect of the warrant program is about 9 percent of the total number of shares and votes in the Company.

#### **Warrants – T06 series**

The maximum number of remaining warrants is 434,174. The warrants are aimed at all shareholders. Holders are entitled, for each option, to subscribe for one new Class B share in the Company at an initial subscription price of SEK 2.20. The subscription period shall be three years from registration of the first issuance of warrants at the Swedish Companies Registration Office, which took place on November 29, 2018.

At the end of the quarter, 1,176,035 warrants were allocated, of which 741,801 warrants were subscribed during earlier subscription periods.

#### **Warrants – T07 series**

The 2019 Annual General Meeting resolved to issue (i) 1,800,000 warrants of series T07 aimed at Board of Directors and (ii) 1,000,000 warrants of series T07 with deviation from shareholders' preferential rights, to the subsidiary iZafe AB. The AGM also resolved to approve the transfer of these warrants to employees.

Regarding the warrants that were aimed at the Board of Directors, neither subscription nor payment has been made in accordance with the terms and conditions and on November 2, 2020, the Board decided to cancel all 1,800,000 warrants in this part.

Regarding the other 1,000,000 warrants, these have been transferred at market price according to an independently established valuation (Black & Scholes valuation model). All warrants of class T07 carry the right to subscribe for 1.06 Class B shares in the Company at a subscription price of SEK 10.30. At the end of the quarter, 1,000,000 warrants were allocated, of which 0 warrants were subscribed. Upon full exercise share capital will increase by SEK 1,060,000. The number of shares that each warrant entitles the holder to subscribe for and the subscription price will be adjusted in accordance with the full terms and conditions of the warrants. The warrants are subject to customary conversion terms in connection with issues, etc. T07 warrants may be exercised through April 10, 2021. The maximum dilutive effect of the warrant program is about 3 percent of the total number of shares and votes in the Company.

#### Future subscription periods for warrants are as follows:

November 14 – 28, 2020  
May 14 – 28, 2021  
November 14 – 28, 2021

Upon full exercise share capital will increase by SEK 434,174. The warrants are subject to customary conversion terms in connection with issues, etc. The maximum dilutive effect of the warrant program is about 1 percent of the total number of shares and votes in the Company.

In addition to the warrant programs referred to above, there are no other outstanding warrants, convertible instruments or similar financial instruments at this time that can entitle the holder to subscribe for new shares or otherwise impact share capital in the Company.

#### NOTE 8. PLEDGED ASSETS AND CONTINGENT LIABILITIES

SEK 000s	Group		
	2020 Sept. 30	2019 Sept. 30	2019 Dec. 31
Pledged assets	None	6,600	6,600
Contingent liabilities	None	None	None

	Parent Company		
	2020 Sept. 30	2019 Sept. 30	2019 Dec. 31
Pledged assets	None	None	None
Contingent liabilities	None	6,600	6,450

#### REVIEW

This report has been subject to review by iZafe's auditors.

#### CERTIFIED ADVISER

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#### FINANCIAL CALENDAR

February 19, 2021 Year-end report 2020

Financial reports are available on the Company's website, [www.izafe.se](http://www.izafe.se), on the same day that they are published.

#### DECLARATION

The Board of Directors and the Chief Executive Officer certify that this interim report provides a true and fair overview of the development of the Parent Company's and the Group's business activities, financial position and results of operations as well as the significant risks and uncertainties to which the Parent Company and the companies included in the Group are exposed.

#### Stockholm, November 9, 2020

iZafe Group AB (publ.)

Anders Segerström CEO  
Thomas Ahlerup Chairman of the Board  
Göran Sjönell Board Member  
Ludvig Arbin Board Member  
Göran Hermansson Board Member

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## Auditor's report on the review of the interim report

### Introduction

I have performed a review of the accompanying interim report for iZafe Group AB (publ), corporate ID number 556762-3391, for the period Jan 1, 2020 to Sep 30, 2020. The board of directors is responsible for preparing and presenting this interim report. My responsibility is to express a conclusion on this interim report based on my review.

### Focus and scope of review

I conducted my review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially limited in scope compared to the focus and scope of an audit conducted in accordance with ISA and generally accepted auditing practices. The procedures performed in a review do not allow me to obtain a level of assurance that would make me aware of all significant matters that might have been identified in an audit. Therefore, the conclusion expressed based on a review does not provide the same level of assurance as a conclusion expressed on the basis of an audit.

### Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the accompanying interim report is not prepared, in all material respects, in accordance with International Financial Reporting Standard (IFRS).



Stockholm, Nov 9, 2020

Johan Kaijser

Authorized Public Accountant