

Interim Report for Image Systems AB (publ) January – March 2015

A promising start to the year

First quarter 2015

- Revenue amounted to MSEK 24.7 (21.1).
- The operating result before interest, taxes, depreciation and amortization amounted to MSEK 0.3 (–3.4).
- The operating result amounted to MSEK –1.3 (–5.0).
- The result before taxes improved to MSEK –2.7 (–9.6).
- Earnings per share amounted to MSEK –0.29 (–0.65).
- Order bookings increased to MSEK 42.7 (20.8).
- The order backlog amounted to MSEK 46.5 (22.2).
- The gross margin was 74 (76) percent.
- An extra general meeting of shareholders decided on a new issue.

Significant events after the end of the period under review

- A new issue in the amount of MSEK 55.9 before issuing costs was fully subscribed.
- Hans Isoz steps down as President. Klas Åström, CFO, becomes acting President.

President's statement

It is gratifying to report that during the first quarter order bookings came in at an all-time high for Image Systems. Compared to the corresponding period one year ago, order bookings in both business areas were twice as high, propelled by record numbers for both business areas. Revenue increased by 17 percent compared to the year before and the result EBITDA improved by almost MSEK 4, becoming positive for the period, which is typically one of weakness for us. The main reason for the improved result was a continued strong earnings trend in Motion Analysis, which recorded satisfactory growth and a very high operating margin. Slightly lower central costs also had a positive effect on results. It goes without saying that we are not satisfied with a negative result after taxes

for the period, but the basis for improvements going forward is better than it has been for a long time with an order backlog of almost MSEK 47.

RemaSawco recorded the highest order intake ever for a single quarter, the main reason being a couple of big deals with Moelven, and slightly stronger demand overall from our customers. The sawmill market remains difficult to assess, but we perceive it as slightly more positive than before. Revenue rose by just over 10 percent for the period, compared with the year before and earnings were marginally better, although still slightly negative. However, given the order bookings trend during the first quarter, we are looking to the future with confidence, especially at Q3, when several of our large orders will be installed and accounted for.

Motion Analysis reports order bookings which were three times as high as during the corresponding year-ago period. The main reason for the strong improvement is continued increases in US demand for our products, and better and more numerous distributors globally. Revenue increased by almost 40 percent and the operating margin exceeded 45 percent for the period, which was far better than we had expected. Aside from product development of existing as well as new products, we continue working on ensuring that our distributors sell our products successfully, and on further widening of the customer base.

After the sale of Digital Vision at the end of last year, Image Systems consists of two business areas, both of which are profitable on a full-year basis. During the month of May we are also floating the fully guaranteed rights issue in the amount of just below MSEK 56, which markedly improves the Group's financial position and liquidity. In this connection we can implement further savings centrally by letting one of the business areas also assume responsibility for corporate affairs. Overall, Image Systems stands better equipped to make good on the positive development we are now seeing. In connection with these organizational changes, I am choosing to resign and this will be my last quarterly report as CEO. Going forward, I will be available to the Board of Directors until further notice.

Net revenue and result

Image Systems is a Swedish high-technology company and a leading supplier of products and services in high resolution image processing. By continually challenging the market's concepts and instead offer new and more effective solutions we help our customers to achieve greater success in their business. The Company caters to a large number of industries and operations are conducted in the three business areas RemaSawco and Motion Analysis. Image Systems has approximately 70 employees at offices in Linköping, Nyköping, Västerås and Sundsvall, as well as in Norway and Finland. In 2014 consolidated revenue amounted to MSEK 101. The Company's share is listed on NASDAQ OMX Stockholm Stock Exchange Small Cap list and is traded under the symbol IS. For additional information, visit our website www.imagesystems.se

First quarter

Order bookings amounted to MSEK 42.7 (20.8) and the order backlog as of 31 March amounted to MSEK 46.5 (22.2). Net revenue amounted to MSEK 24.7 (21.1).

The gross margin was 74 (76) percent. Costs declined by MSEK 1.3. Depreciation and amortization according to plan were charged to earnings in an amount of MSEK 1.6 (1.6), of which MSEK 1.6 (1.6) was amortization of consolidated surpluses in the amount of MSEK 1.6 (1.6).

Operating result

The operating result EBITDA improved to MSEK 0.3 (-3.4) and the result after taxes amounted to MSEK -2.6 (-9.6). Revenue and operating result before depreciation and amortization by business area is shown on page 4.

Capital expenditures and financial position

The Group's investments in non-current assets amounted to MSEK 0.0 (0.0). Available liquid funds, including the unutilised portion of a committed credit facility, amounted to MSEK 4.9 as of 15 March (6.2). The equity ratio as of 31 March stood at 14 (49) percent. The operative cash flow was MSEK 3.3 (0.4).

Research and development

During the period the Company's development resources were concentrated on developing new products to be launched during the second half of 2015.

Parent Company

Parent Company net revenue amounted to MSEK 0.3 (5.2) and the result after taxes amounted to MSEK -3.3 (-6.3). Investments in non-current assets amounted to MSEK 0.0 (0.0). The Parent Company's cash and cash equivalents amounted to MSEK 0.1 as of 31 March 2015 (0.8). The Parent Company's equity amounted to MSEK -15.4 as of 31 March 2015 (48.0) and the equity ratio was negative (62) percent.

Related party transactions**Reporting schedule:**

<i>Annual General Meeting 2015</i>	<i>11 June 2015</i>
<i>Interim Report April - June 2015</i>	<i>20 August 2015</i>
<i>Interim Report July - September 2015</i>	<i>5 November 2015</i>
<i>Year-end Report 2015</i>	<i>11 February 2016</i>

No related-party transactions occurred during the quarter.

Personnel

The average number of employees was 68 (72).

Number of shares outstanding

The number of shares outstanding as of 31 March 2015 was 8,822,752.

Events after the period under review

A new issue in the amount of MSEK 55.9 was fully subscribed. After issuing costs approximately MSEK 50.8 was infused in the Company.

Accounting policies

This Interim Report has been compiled in accordance with International Financial Reporting Standards (IFRS) as adopted by EU. The Interim Report for the Image Systems Group has been compiled in accordance with IAS 34 Interim financial reporting and the Swedish Annual Accounts Act. The new and amended standards to be applied from 1 January 2014 had no material impact on the Group's financial reports.

In all other respects the accounting standards and calculation methods are unchanged compared to those applied in the 2013 Annual Report.

The Interim Report for the Parent Company Image Systems AB is compiled in accordance with the Swedish Annual Accounts Act and recommendation RFR 2 Accounting for Legal Entities of the Swedish Financial Reporting Board.

Risks and uncertainty factors

The Group's significant risk and uncertainty factors include business risks associated with contracts with customers and suppliers, and other external factors such as the risks of exchange rate fluctuations.

A complete report of the Group's significant financial and business risks will be found in the Board of Director Report and under Note 3 in the Annual Report for 2014. No other significant risks are deemed to have emerged during the period.

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

Linköping, 6 May 2015

Board of Directors

The information in this interim report is being published by Image Systems AB in accordance with the Swedish Act on Trading in Financial Instruments. The information herein was provided for publication at 3:00 p.m. (CET), 6 May 2015

The interim reports will be available to the public at the Company's website www.imagesystems.se

Questions will be answered by:

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Summary Consolidated Income Statements	Jan-Mar	Jan-Mar	Full year
MSEK	2015	2014	2014
CONTINUING OPERATIONS			
Revenue	24.7	21.1	101.5
Raw materials and supplies	-6.4	-5.1	-25.9
Other external costs	-4.4	-4.7	-18.2
Personnel costs	-13.7	-14.7	-55.6
Depreciation and amortisation of & impairment charges against tangible non-current assets	-1.6	-1.6	-6.5
Other operating revenue	0.1	-	0.3
Other operating costs	-	-	-
Operating result	-1.3	-5.0	-4.4
Net finance items	-1.4	-0.7	-5.4
Result before taxes	-2.7	-5.7	-9.8
Taxes	-	-	0.0
Continuing operations result for the period	-2.7	-5.7	-9.8
Result from discontinued operations	-	-3.9	-41.9
Result after taxes	-2.7	-9.6	-51.7
Of which attributable to the Parent Company's equity holders	-	-9.6	-51.7
CONTINUING OPERATIONS			
Earnings per share ¹⁾	-0.29	-0.65	-1.11
Earnings per share after dilution ¹⁾	-0.29	-0.65	-1.11
DISCONTINUED OPERATIONS			
Earnings per aktie ¹⁾	-	-0.44	-4.75
Earnings per share after dilution ¹⁾	-	-0.44	-4.75
GROUP, INCLUDING DISCONTINUED OPERATIONS			
Earnings per share ¹⁾	-	-1.09	-5.86
Earnings per share after dilution ¹⁾	-	-1.09	-5.86
Average number of shares outstanding	8.822.752	8.822.752	8.822.752
Average number of shares outstanding, after dilution	8.822.752	8.822.752	8.822.752
Consolidated Report of Comprehensive Result			
Result for the period	-2.7	-9.6	-51.7
Other comprehensive result			
Components that may be reclassified to the year's result			
Translation differences	-0.1	-0.2	0.1
Taxes related to other comprehensive result	-	-	-
Total other comprehensive result	-0.1	-0.2	0.1
TOTAL COMPREHENSIVE RESULT FOR THE PERIOD	-2.8	-9.8	-51.6
Of which attributable to the Parent Company's equity holders	-2.8	-9.8	-51.6

¹⁾ Calculated based on the average number of shares outstanding.

Group	Jan-Mar 2015	Jan-Mar 2014	Full year 2014
Revenue and result by segment			
RemaSawco	18.0	16.3	78.6
Motion Analysis	6.7	4.8	22.9
Total revenue	24.7	21.1	101.5
EBITDA			
RemaSawco	-0.8	-1.0	5.6
Motion Analysis	3.1	0.2	6.5
Administration, consolidation items	-2.0	-2.6	-10.0
EBITDA total	0.3	-3.4	2.1
Depreciation and amortisation of & impairment charges against tangible non-current assets	-1.6	-1.6	-6.5
Operating result	-1.3	-5.0	-4.4
Net finance items	-1.4	-0.7	-5.4
Result before taxes	-2.7	-5.7	-9.8
Taxes	-	-	0.0
Result for the period	-2.7	-5.7	-9.8

Summary Consolidated Balance Sheet

MSEK	31 March 2015	31 March 2014	31 December 2014
Non-current assets			
Intangible non-current assets	51.5	63.2	53.0
Tangible non-current assets	0.1	1.2	0.1
Financial non-current assets	5.0	7.2	5.2
Total non-current assets	56.6	71.6	58.3
Current assets			
Inventories	7.5	16.6	5.9
Trade receivables	24.2	17.0	23.4
Other short-term receivables	5.3	9.8	5.5
Cash and cash equivalents	2.9	3.6	1.2
Total current assets	39.9	47.0	36.0
TOTAL ASSETS	96.5	118.6	94.3
Equity (attributable to the Parent Company's equity holders)	13.3	57.9	16.1
Long-term liabilities and provisions			
Loans from credit institutions	-	2.5	0.4
Other provisions	0.4	0.4	0.4
Total long-term liabilities and provisions	0.4	2.9	0.8
Current liabilities			
Loans from credit institutions	10.6	9.2	9.4
Debenture loans	35.3	12.0	30.3
Trade payables	10.6	11.2	11.2
Other current liabilities	26.3	25.4	26.5
Total current liabilities	82.8	57.8	77.4
TOTAL EQUITY AND LIABILITIES	96.5	118.6	94.3

Summary Report of Consolidated Equity

	31 March 2015	31 March 2014	Full year 2014
Opening equity according to the balance sheet	16.1	67.7	67.7
Result for the year	-2.7	-9.6	-51.7
Other comprehensive result for the year	-0.1	-0.2	0.1
Total comprehensive result for the period	-2.8	-9.8	-51.6
New issue	-	-	-
Closing equity according to the balance sheet	13.3	57.9	16.1

Summary Consolidated Cash Flow Statements

MSEK	Jan-Mar 2015	Jan-Mar 2014	Full year 2014
Cash flow from operating activities			
Before changes in working capital	-1.1	-7.4	-25.7
Changes in working capital			
Increase (-)/Decrease (+) in inventories	-1.6	-1.1	-2.5
Increase (-)/Decrease (+) in receivables	-0.8	10.9	7.3
Increase (+)/Decrease (-) in current liabilities	-0.6	-4.0	3.1
Total change in working capital	-3.0	5.8	7.9
Cash flow from operating activities	-4.1	-1.6	-17.8
Investment activities			
Acquisition of subsidiaries	-	-	-0.3
Acquisition of tangible non-current assets	-	-	-
Decrease in financial non-current assets	0.0	1.4	2.3
Cash flow from investment activities	0.0	1.4	2.0
Operating cash flow	-4.1	-0.2	-15.8
Financing activities			
New issue	-	-	-
Increase (+) in loans	5.8	-	17.7
Decrease (-) in loans	-	-1.9	-6.4
Cash flow from financing activities	5.8	-1.9	11.3
Cash flow for the period	1.7	-2.1	-4.5
Cash and cash equivalents at beginning of period	1.2	5.7	5.7
Translation difference in cash and cash equivalents	0.0	0.0	0.0
Cash and cash equivalents at end of period	2.9	3.6	1.2

Key Financial Indicators

Group	Jan-Mar 2015	Jan-Mar 2014	Full year 2014
Order bookings, MSEK	42.7	20.8	99.5
Order backlog, MSEK	46.5	22.2	27.6
Gross margin, %	74	76	74
Operating margin, %	neg	neg	neg
Profit margin, %	neg	neg	neg
Return on capital employed, %	neg	neg	neg
Return on equity, %	neg	neg	neg
Equity ratio, %	14	49	17
Debt equity ratio	3.3	0.4	2.4
Net investments in non-current assets, MSEK	0.0	0.0	0.0
Depreciation and impairment of non-current assets, MSEK	1.6	1.6	6.5
Average number of employees.	68	72	73
Number of shares outstanding at end of period, million	8.82	8.82	8.82
Average number of shares outstanding, million	8.82	8.82	8.82
Earnings per share ¹⁾ , SEK (continuing operations)	-0.29	-0.65	-1.11
Cash flow per share ¹⁾ , SEK	-0.46	-0.02	-1.79
Equity per share ²⁾ , SEK	1.51	6.56	1.81

¹⁾ Calculated based on average number of shares outstanding.

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

Quarterly survey

Group (continuing operations)	2015		2014				2013		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Order bookings, MSEK	42.7	23.6	18.1	37.0	20.8	20.5	16.7	36.8	24.5
Revenue, MSEK	24.7	35.7	21.0	23.7	21.1	28.0	25.4	28.1	18.0
Gross margin, %	74	69	80	76	76	63	69	63	73
Operating result (EBITDA), MSEK	0.3	5.4	1.3	-1.1	-3.5	-1.8	1.2	-0.8	-4.1
Operating result (EBIT), MSEK	-1.3	3.4	-0.2	-2.6	-5.0	-3.9	-0.4	-2.4	-5.5
Operating margin, %	neg	9.5	neg						
Return on equity, %	neg	13.8	neg						
Equity ratio, %	14	17	30	38	49	50	57	22	27
Earnings per share, SEK	-0.29	0.25	-0.29	-0.45	-0.62	-0.55	-0.29	-2.27	-3.47
Cash flow per share, SEK	-0.46	0.00	0.01	-1.78	-0.02	-0.37	-3.01	-3.75	-2.05
Equity per share, SEK	1.51	1.81	3.62	5.57	6.56	7.68	8.58	17.16	19.71
Average number of shares outstanding, million	8.82	8.82	8.82	8.82	8.82	8.82	4.12	1.76	1.76

Definitions

Margins

Operating margin, %

Operating result relative to net revenue.

Profit margin, %

Result before taxes relative to net revenue.

Profitability

Return on average capital employed, %

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

Capital structure

Equity ratio, %

Equity at end of period relative to balance sheet total.

Net debt equity ratio

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

Other

Net investments in non-current assets, MSEK

Net investments in non-current assets during the period.

Direct costs for research and development, MSEK

Costs for research and development during the period.

Average number of employees

Average number of employees during the period.

Per-share data

Number of shares outstanding at end of period, million

Number of shares outstanding at end of period.

Average number of shares outstanding, million

Average number of shares outstanding during the period.

Earnings per share, SEK

Result after taxes, divided by average number of shares outstanding.

Cash flow per share, SEK

Operative cash flow divided by average number of shares outstanding.

Equity per share, SEK

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

Summary Parent Company Income Statements

MSEK	Jan-Mar 2015	Jan-Mar 2014	Full year 2014
Revenue	0.3	5.2	21.3
Raw materials and supplies	-0.2	-5.9	-24.5
Other external costs	-0.7	-2.0	-14.6
Personnel costs	-1.3	-2.6	-12.8
Depreciation and amortisation of & impairment charges against tangible non-current assets	-	-0.4	-1.4
Other operating income			0.5
Other operating costs	-0.0	-0.0	-
Operating result	-1.9	-5.7	-31.5
Result from Group companies	-	-	-36.2
Net finance items	-1.4	-0.6	-4.9
Result before taxes	-3.3	-6.3	-72.6
Year-end appropriations	-	-	6.2
Taxes	-	-	-
Result for the period	-3.3	-6.3	-66.4

Parent Company Report on Comprehensive Result

Result for the period	-3.3	-6.3	-66.4
Other comprehensive result	-	-	-
Total other comprehensive result	-	-	-
TOTAL COMPREHENSIVE RESULT FOR THE PERIODEN	-3.3	-6.3	-66.4

Summary Parent Company Balance Sheets

MSEK	31 March 2015	31 March 2014	31 December 2014
Non-current assets			
Intangible non-current assets	-	5.5	-
Tangible non-current assets	-	0.4	-
Financial non-current assets	31.1	34.1	31.3
Total non-current assets	31.1	40.0	31.3
Current assets			
Inventories	-	11.2	-
Trade receivables	1.8	3.9	2.6
Due from Group companies	4.2	19.5	6.2
Other short-term receivables	1.3	1.5	1.2
Cash and cash equivalents	0.1	0.8	0.1
Total current assets	7.4	36.9	10.1
TOTAL ASSETS	38.5	76.9	41.4
Equity	-15.4	48.0	-12.1
Current liabilities			
Loans from credit institutions	-	-	0.6
Debenture loans	35.3	12.0	30.3
Trade payables	2.6	5.8	6.6
Due to Group companies	5.2	3.2	4.8
Other current liabilities	10.8	7.9	11.2
Total current liabilities	53.9	28.9	53.5
SUMMA EGET KAPITAL OCH SKULDER	38.5	76.9	41.4

Summary Report of Changes in Consolidated Equity

MSEK	31 March 2015	31 March 2014	31 December 2014
Opening equity according to the balance sheet	-12.1	54.3	54.3
Result for the year	-3.3	-6.3	-66.4
Other comprehensive result for the year	-	-	-
Total comprehensive result	-3.3	-6.3	-66.4
New issue	-	-	-
Closing equity according to the balance sheet	-15.4	48.0	-12.1

Summary Parent Company Cash Flow Statements

MSEK	Jan-Mar 2015	Jan-Mar 2014	Full year 2014
Cash flow from operating activities before changes in working capital	-3.2	-5.9	-32.3
Changes in working capital			
Increase (-)/Decrease (+) in inventories	0	-1.1	-2.2
Increase (-)/Decrease (+) in receivables	0.7	1.5	3.2
Increase (+)/Decrease (-) in current liabilities	-2.5	1.0	9.9
Total change in working capital	-1.8	1.4	10.9
Cash flow from operating activities	-5.0	-4.5	-21.4
Investment activities			
Decrease in financial non-current assets	0.2	1.4	2.4
Loans to subsidiaries	0.6	1.0	0.6
Cash flow from investment activities	0.8	2.4	3.0
Operating cash flow	-4.2	-2.1	-18.4
Financing activities			
New issue	-	-	-
Increase (+) in loans	-5.0	-	15.6
Decrease (-) in loans	-0.8	-	-
Cash flow from financing activities	4.2	0.0	15.6
Cash flow for the period	0.0	-2.1	-2.8
Cash and cash equivalents at beginning of period	0.1	2.9	2.9
Cash and cash equivalents at end of period	0.1	0.8	0.1