

## Interim Report for Image Systems AB (publ) January-March 2017

### Year off to a good start with confirmed break-through in North America

#### First quarter 2017

- Revenue increased by MSEK 29.0 (20.0).
- The operating result before depreciation and amortisation, EBITDA, improved to MSEK 0.2 (-4.2).
- The operating result improved to MSEK -1.5 (-5.8).
- The result after taxes improved to MSEK -1.6 (-6.0).
- Earnings per share improved to SEK -0.04 (-0.16).
- Order bookings amounted to MSEK 31.5 (32.9).
- The order backlog amounted to MSEK 32.9 (38.2).
- The gross margin was 67 (77) percent.

#### Events after the end of the period under review

- RemaSawco obtained an order in the amount of MSEK 6 from Trinity Korbel Inc. in USA.
- Johan Friberg new President of Image Systems.

#### President's Statement

Revenue increased by 45 percent in the first quarter compared to the equivalent period one year ago. Historically, the first quarter is the seasonally weakest period for the Group. The EBITDA result improved by MSEK 4.4 to MSEK 0.2.

It is very gratifying, and it augurs well for the future, that we after the end of the period under review received a second order from the same customer in North America for our BoardScanner. After careful evaluation our customer has found the system to be so profitable that a decision has been made to invest in one more system. This constitutes convincing evidence of our break-through in this for our future growth so important market. Several customers in North America have expressed great interest for our products but have not wanted to be a pilot customer. These two customer installations will constitute full-scale reference facilities that we will use to demonstrate the advantages of our products to potential customers in North America.

#### RemaSawco

Revenue increased by 57 percent to MSEK 22.3 (14.3). The EBITDA result improved by MSEK 3.3 to MSEK -0.4 (-3.7), essentially because of higher revenue. The cautious attitude we experienced among our customers during the first half of 2016, has been replaced by a significantly more optimistic outlook. The high level of housing construction activity bolsters demand for wood and has created growth. The total production of Swedish sawmills is on the rise. Sawmill order backlogs are at a good level, at the same time as sawmill inventories are at a low level.

The North American market shows continued strength, in Canada as well the United States.

#### Motion Analysis

Revenue increased by 20 percent to MSEK 6.7 (5.5). The EBITDA result increased by more than 60 percent to MSEK 2.0 (1.3), essentially because of higher revenue.

Demand in the market where Motion Analysis operates continues to be strong and the sale of new products is on the rise.

The business area continued to develop the market during the first quarter, both in existing product segments and new ones launched during 2016. The Asian market continues to be strong and the business area has also received orders under the existing frame agreement on France.

#### Financial information

##### First quarter

Order bookings amounted to MSEK 31.5 (32.9) and the order backlog as of 31 March amounted to MSEK 32.9 (38.2). Revenue increased to MSEK 29.0 (20.0).

The gross margin was 67 (77) percent. The lower gross margin is due to a larger proportion of purchased materials in a couple of major RemaSawco projects. The operating result before depreciation and amortisation EBITDA improved to MSEK 0.2 (-4.2). The improvement is due primarily to higher revenue. Depreciation and amortisation according to plan was charged against the result in an amount of MSEK 1.7 (1.6), of which amortisation of consolidation surplus values amounted to MSEK 1.6 (1.6). The result after taxes improved to MSEK -1.6 (-6.0).

Revenue and operating profit before depreciation, amortization and impairment charges are reported by business area on page 4.

#### **Capital expenditures and financial position**

The Group's investments in non-current assets amounted to MSEK 1.3 (1.3) relating to capitalised development expenses in RemaSawco in the amount of MSEK 1.1 and to MSEK 0.4 in equipment. Available cash and cash equivalents, including the unutilized portion of a committed credit facility, stood at MSEK 6.0 (8.9) as of 31 March 2017.

The equity ratio as of 31 March 2017 was 62 (67) percent. The operative cash flow amounted to MSEK 1.1 (0.6). The net debt to equity ratio was 0.1 (0.1).

#### **Research and development**

##### **RemaSawco**

The overarching development strategy is based on the following main areas: increased value yield for our customers, increased opportunities for integration with own products and the products of others, and with overriding systems, and improvement of the user environment, as well as increased simulation opportunities.

The following major development projects are progressing in accordance with this strategy:

- i) Further development of RS-StrengthGrader, for non-contact strength grading for spruce and planed is complete and waiting for approval. Additional functions will be added over the next six months.
- ii) Further integration between products in timber sorting, saw lines and board handling.
- iii) RS-Xray has been improved with new functionality for detection of foreign objects (such as metal).

##### **Motion Analysis**

Motion Analysis is in a very intense phase of product development in a major project involving an entirely new technology platform for all products. This project, which is our largest technology undertaking in many years, will result in significant improvements on all fronts: Improved performance and visualisation, as well as an entirely new user interface. Several new products utilising the new technology will be available during the autumn.

In addition hereto we are now at the final stage of development of our new POM system. We have also further developed our regular products TEMA and TrackEye with improved performance in DIC Stereo and 3D Modelling. We have also performed extensive customisation of the TrackEye system.

#### **Parent Company**

The Parent Company's net revenue amounted to MSEK 0.6 (0.2) and the result after taxes was MSEK -1.4 (-1.8). Investments in non-current assets amounted to MSEK 0.0 (0.0). The Parent Company's available cash and cash equivalents amounted to MSEK 0.1 as of 31 March 2017 (0.3). The Parent Company's equity amounted to MSEK 53.4 as of 31

March 2017 (58.5) and the equity ratio stood at 81 percent (84).

#### **Related-party transactions**

There were no related-party transactions during the period.

#### **Personnel**

The average number of employees was 68 (69).

#### **Number of shares outstanding**

The number of shares outstanding as of 31 March 2017 was 38,231,922.

#### **Events after the end of the period under review**

##### **RemaSawco gets a MSEK 6 order from Trinity Korbelt Inc. in the United States**

The order is for delivery and installation of the North American version of BoardScannerQ, FX85. Delivery and installation will be performed together with RemaSawco's North American partner Raptor Inc. Delivery is scheduled for the third quarter of 2017.

##### **Johan Friberg new President of Image Systems**

The Board of Directors of Image Systems has decided to appoint Johan Friberg to serve as new President and CEO starting 15 May 2017. Johan Friberg is a Master of Science with a background at SAAB, where he served as Sales and Marketing Manager for Saab Barracuda. Johan has worked for Image Systems since 2011. He has served as business area manager with Motion Analysis since 2012.

#### **Accounting policies**

Image Systems applies International Financial Reporting Standards (IFRS) as adopted by EU. This Interim Report for the Image Systems Group has been compiled in accordance with IAS 34 Interim financial reporting and the Swedish Annual Accounts Act. The new and amended standards to be applied from 1 January 2017 had no material impact on the Group's financial reports.

In all other respects accounting policies and calculation methods are unchanged relative to those applied for the 2016 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 principal risk and uncertainty factors include business risks associated with contracts with customers and suppliers, as well as other factors in the surrounding world, such as the risk of changes in foreign currency exchange rates.

A report of the Group's significant financial and business risks will be found in the Board of Director Report and under Note 3 in the Annual Report for 2016. No other significant risks are deemed to have been added during the period.

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

**Reporting schedule:**

<i>Interim Report April-June 2017</i>	<i>23 August 2017</i>
<i>Interim Report July-September 2017</i>	<i>27 October 2017</i>
<i>Year-end Report 2017</i>	<i>8 February 2018</i>

Linköping, 11 May 2017

Peter Johansson  
President

The information in this year-end report is such that Image Systems AB is obliged to publish in accordance with EU's Market Abuse Regulation and the Swedish Securities Markets Act. The information herein was provided for publication at 1:00 p.m. (CET), 11 May 2017.

*Interim reports will be available to the public at the Company's website [www.imagesystems.se](http://www.imagesystems.se)*

Questions will be answered by:  
Peter Johansson, President, telephone +46-13-200 100, e-mail [peter.johansson@imagesystems.se](mailto:peter.johansson@imagesystems.se)  
Klas Åström, CFO, telephone +46-13-200 100. E-mail [klas.astrom@imagesystems.se](mailto:klas.astrom@imagesystems.se)

Image Systems AB, Snickaregatan 40, 582 26 Linköping, Sweden. Organisation number: 556319-4041.

## Summary Consolidated Income Statements

MSEK	Jan-Mar 2017	Jan-Mar 2016	Full year 2016
Revenue	29.0	20.0	123.9
Raw materials and supplies	-9.6	-4.6	-43.6
Other external costs	-4.6	-4.6	-21.5
Personnel costs	-14.5	-15.0	-57.6
Depreciation and amortisation of and impairment charges against tangible non-current assets	-1.7	-1.6	-6.4
Other operating revenue	-	0.0	0.2
Other operating costs	-0.1	-	-
<b>Operating result</b>	<b>-1.5</b>	<b>-5.8</b>	<b>-5.0</b>
Net finance items	-0.1	-0.2	-0.4
<b>Result before taxes</b>	<b>-1.6</b>	<b>-6.0</b>	<b>-5.4</b>
Taxes	-	-	0.0
<b>Result after taxes</b>	<b>-1.6</b>	<b>-6.0</b>	<b>-5.4</b>
Of which attributable to the Parent Company's equity holders	-1.6	-6.0	-5.4
Earnings per share <sup>1)</sup>	-0.04	-0.16	-0.14
Earnings per share after dilution <sup>1)</sup>	-0.04	-0.16	-0.14
Average number of shares outstanding	38,231,922	38,231,922	38,231,922
Average number of shares outstanding, after dilution	38,231,922	38,231,922	38,231,922

## Summary Consolidated Report of Comprehensive Result

Result for the period	-1.6	-6.0	-5.4
<b>Other comprehensive result</b>			
<b>Items that may be reposted to the income statement</b>			
Translation differences	0.0	0.0	0.1
Taxes attributable to items that may be reposted	-	-	-
<b>Total other comprehensive result</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>
<b>TOTAL COMPREHENSIVE RESULT FOR THE PERIOD</b>	<b>-1.6</b>	<b>-6.0</b>	<b>-5.3</b>
Of which attributable to the Parent Company's equity holders	-1.6	-6.0	-5.3

<sup>1)</sup> Calculated based on the average number of shares outstanding.

Group	Jan-Mar 2017	Jan-Mar 2016	Full year 2016
<b>Revenue and result by segment</b>			
RemaSawco	22.3	14.3	99.8
Motion Analysis	6.7	5.5	23.7
Parent Company and consolidation items	-	0.2	0.4
<b>Total revenue</b>	<b>29.0</b>	<b>20.0</b>	<b>123.9</b>
<b>EBITDA</b>			
RemaSawco	-0.4	-3.7	4.5
Motion Analysis	2.0	1.3	5.8
Parent Company and consolidation items	-1.4	-1.8	-8.9
<b>EBITDA total</b>	<b>0.2</b>	<b>-4.2</b>	<b>1.4</b>
Depreciation and amortisation of and impairment charges against tangible non-current assets	-1.7	-1.6	-6.4
<b>Operating result</b>	<b>-1.5</b>	<b>-5.8</b>	<b>-5.0</b>
Net finance items	-0.1	-0.2	-0.4
<b>Result before taxes</b>	<b>-1.6</b>	<b>-6.0</b>	<b>-5.4</b>
Taxes	-	-	-
<b>Net result for the period</b>	<b>-1.6</b>	<b>-6.0</b>	<b>-5.4</b>

## Summary Consolidated Balance Sheets

<b>MSEK</b>	<b>31 March 2017</b>	<b>31 March 2016</b>	<b>31 December 2016</b>
<b>Non-current assets</b>			
Intangible non-current assets	47.5	50.4	48.0
Tangible non-current assets	1.0	0.2	0.6
<b>Total non-current assets</b>	<b>48.5</b>	<b>50.6</b>	<b>48.6</b>
<b>Current assets</b>			
Inventories	9.0	7.0	8.9
Trade receivables	21.0	13.7	28.7
Other short-term receivables	17.0	16.3	22.4
Cash and cash equivalents	0.9	3.9	1.1
<b>Total current assets</b>	<b>47.9</b>	<b>40.9</b>	<b>61.1</b>
<b>TOTAL ASSETS</b>	<b>96.4</b>	<b>91.5</b>	<b>109.7</b>
<b>Equity</b> (attributable in its entirety to the Parent Company's equity holders)	<b>60.2</b>	<b>61.1</b>	<b>61.8</b>
<b>Current liabilities</b>			
Loans from credit institutions	7.4	5.7	8.7
Debenture loan	-	3.7	-
Trade payables	9.2	4.5	20.9
Other current liabilities	19.6	16.5	18.3
<b>Total current liabilities</b>	<b>36.2</b>	<b>30.4</b>	<b>47.9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>96.4</b>	<b>91.5</b>	<b>109.7</b>

## Summary Report of Changes in Consolidated Equity

	<b>31 March 2017</b>	<b>31 March 2016</b>	<b>Full year 2016</b>
Opening equity according to the balance sheet	61.8	67.1	67.1
Net result for the year	-1.6	-6.0	-5.4
Other comprehensive result for the period	0.0	0.0	0.1
<b>Total comprehensive result for the period</b>	<b>-1.6</b>	<b>-6.0</b>	<b>-5.3</b>
<b>Closing equity according to the balance sheet</b>	<b>60.2</b>	<b>61.1</b>	<b>61.8</b>

## Summary Consolidated Cash Flow Statements

<b>MSEK</b>	<b>Jan-Mar 2017</b>	<b>Jan-Mar 2016</b>	<b>Full year 2016</b>
<b>Cash flow from operating activities before changes in working capital</b>	<b>0.1</b>	<b>-4.3</b>	<b>1.1</b>
<b>Changes in working capital</b>			
Increase (-)/Decrease (+) in inventories	-0.1	-0.1	-2.1
Increase (-)/Decrease (+) in receivables	13.1	10.6	-11.1
Increase (+)/Decrease (Increase) in current liabilities	-10.5	-4.3	13.9
<b>Total changes in working capital</b>	<b>2.5</b>	<b>6.2</b>	<b>0.7</b>
<b>Cash flow from operating activities</b>	<b>2.6</b>	<b>1.9</b>	<b>1.8</b>
<b>Investment activities</b>			
Acquisition of intangible non-current assets	-1.1	-1.3	-3.8
Acquisition of tangible non-current assets	-0.4	-0.0	-0.6
<b>Cash flow from investment activities</b>	<b>-1.5</b>	<b>-1.3</b>	<b>-4.4</b>
<b>Operating cash flow</b>	<b>1.1</b>	<b>0.6</b>	<b>-2.6</b>
<b>Financing activities</b>			
Increase (+) in loans	-	0.2	5.1
Decrease (-) in loans	-1.3	-	-4.5
<b>Cash flow from financing activities</b>	<b>-1.3</b>	<b>0.2</b>	<b>0.6</b>
<b>Cash flow for the period</b>	<b>-0.2</b>	<b>0.8</b>	<b>-2.0</b>
Cash and cash equivalents at beginning of period	1.1	3.1	3.1
Translation difference in cash and cash equivalents	0.0	0.0	0.0
<b>Cash and cash equivalents at end of period</b>	<b>0.9</b>	<b>3.9</b>	<b>1.1</b>

## Key Financial Indicators

Group	Jan-Mar	Jan-Mar	Full year
	2017	2016	2016
Order bookings, MSEK	31.5	32.9	127.6
Order backlog, MSEK	32.9	38.2	29.3
Gross margin, %	67	77	65
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, %	62	67	56
Debt equity ratio	0.1	0.1	0.1
Net investment in non-current assets, MSEK	1.5	1.3	4.4
Depreciation and impairment of non-current assets, MSEK	1.7	1.6	6.4
Average number of employees	67	69	68
Number of shares outstanding at end of period, million	38.23	38.23	38.23
Average number of shares outstanding, million	38.23	38.23	38.23
Earnings per share <sup>1)</sup> , SEK	-0.04	-0.16	-0.14
Cash flow per share <sup>1)</sup> , SEK	0.03	0.02	-0.07
Equity per share <sup>2)</sup> , SEK	1.57	1.60	1.62

<sup>1)</sup> Calculated based on average number of shares outstanding.

<sup>2)</sup> Calculated based on number of shares outstanding at end of period.

## Quarterly Survey

Group	2017		2016		2015				2014	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Order bookings, MSEK	31.5	33.9	30.1	30.7	32.9	17.0	18.0	42.3	42.7	23.6
Revenue, MSEK	29.0	46.0	23.7	34.2	20.0	37.5	29.8	33.5	24.7	35.7
Gross margin, %	67	59	65	65	77	68	59	64	74	69
Operating result before depreciation, amortisation and interest (EBITDA), MSEK	0.2	5.5	-1.7	1.8	-4.2	5.7	1.8	1.8	0.3	5.4
Operating result (EBIT), MSEK	-1.5	3.9	-3.3	0.2	-5.8	4.1	0.2	0.2	-1.3	3.4
Operating margin, %	neg	8.5	neg	0.6	neg	10.9	0.7	0.6	neg	9.5
Return on equity, %	neg	6.7	neg	0.0	neg	6.0	neg	neg	neg	13.8
Equity ratio, %	62	56	61	62	67	66	66	56	14	17
Earnings per share, SEK	-0.04	0.11	-0.09	0.00	-0.16	0.10	-0.01	-0.02	-0.29	0.25
Cash flow per share, SEK	0.03	-0.01	-0.01	-0.06	0.02	0.20	0.12	-0.60	-0.46	0.00
Equity per share, SEK	1.57	1.61	1.50	1.59	1.59	1.75	1.66	1.67	1.51	1.81
Average number of shares outstanding, million	38.23	38.23	38.23	38.23	38.23	38.23	38.23	18.62	8.82	8.82

### Definitions

Performance measure

*EBITDA*

Operating result plus depreciation, amortisation and interest on tangible and intangible assets

Margins

*Operating margin, %*

Operating result relative to net revenue.

*Profit margin, %*

Result before taxes relative to net revenue.

Profitability

*Return on average capital employed, %*

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

*Return on average equity, %*

Result for the period relative to average equity.

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 both in tangible and intangible non-current assets, as well as financial 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

<b>MSEK</b>	<b>Jan-Mar 2017</b>	<b>Jan-Mar 2016</b>	<b>Full year 2016</b>
Revenue	0.6	0.2	0.4
Raw materials and supplies	-	-	-
Other external costs	-0.7	-0.8	-4.5
Personnel costs	-1.3	-1.1	-4.8
<u>Other operating costs</u>	-	-	-
<b>Operating result</b>	<b>-1.4</b>	<b>-1.7</b>	<b>-8.9</b>
Result from Group companies	-	-	-
Net finance items	-0.0	-0.1	-0.2
<b>Result before taxes</b>	<b>-1.4</b>	<b>-1.8</b>	<b>-9.1</b>
Year-end appropriations	-	-	3.6
Taxes	-	-	-
<b>Net result for the period</b>	<b>-1.4</b>	<b>-1.8</b>	<b>-5.5</b>

### Summary Parent Company Report of Comprehensive Result

Result for the period	-1.4	-1.8	-5.5
Other comprehensive result	-	-	-
<b>Total other comprehensive result</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPRESIVE RESULT FOR THE PERIOD</b>	<b>-1.4</b>	<b>-1.8</b>	<b>-5.5</b>

### Summary Parent Company Balance Sheets

<b>MSEK</b>	<b>31 March 2017</b>	<b>31 March 2016</b>	<b>31 December 2016</b>
<b>Non-current assets</b>			
Financial non-current assets	56.1	56.1	56.1
<b>Total non-current assets</b>	<b>56.1</b>	<b>56.1</b>	<b>56.1</b>
<b>Current assets</b>			
Trade receivables	0.4	0.2	0.4
Due from Group companies	3.3	7.2	3.6
Other short-term receivables	5.8	6.0	5.4
Cash and cash equivalents	0.1	0.3	0.0
<b>Total current assets</b>	<b>9.6</b>	<b>13.7</b>	<b>9.4</b>
<b>TOTAL ASSETS</b>	<b>65.7</b>	<b>69.8</b>	<b>65.5</b>
<b>Equity</b>	<b>53.4</b>	<b>58.5</b>	<b>54.8</b>
<b>Current liabilities</b>			
Debenture loan	-	3.7	-
Due to Group companies	9.0	3.6	7.2
Trade payables	0.5	0.7	0.8
<u>Other current liabilities</u>	<u>2.8</u>	<u>3.3</u>	<u>2.7</u>
<b>Total current liabilities</b>	<b>12.3</b>	<b>11.3</b>	<b>10.7</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>65.7</b>	<b>69.8</b>	<b>65.5</b>

### Report of Changes in Parent Company equity

<b>MSEK</b>	<b>31 March 2017</b>	<b>31 March 2016</b>	<b>31 December 2016</b>
Opening equity according to the balance sheet	54.8	60.3	60.3
Net result for the year	-1.4	-1.8	-5.5
Other comprehensive result for the year	-	-	-
<b>Total comprehensive result</b>	<b>-1.4</b>	<b>-1.8</b>	<b>-5.5</b>
<b>Closing equity according to the balance sheet</b>	<b>53.4</b>	<b>58.5</b>	<b>54.8</b>

## Summary Parent Company Cash Flow Statements

<b>MSEK</b>	<b>Jan-Mar 2017</b>	<b>Jan-Mar 2016</b>	<b>Full year 2016</b>
<b>Cash flow from operating activities before changes in working capital</b>	-1.4	-1.8	-5.5
<b>Changes in working capital</b>			
Increase (-)/Decrease (+) in receivables	-0.4	-0.3	0.2
Increase (+)/Decrease (-) in current liabilities	-0.3	0.2	-0.6
<b>Total change in working capital</b>	<b>-0.7</b>	<b>-0.1</b>	<b>-0.4</b>
<b>Cash flow from operating activities</b>	<b>-2.1</b>	<b>-1.9</b>	<b>-5.9</b>
<b>Investment activities</b>			
Loans from subsidiaries	2.2	3.0	10.1
<b>Cash flow from investment activities</b>	<b>2.2</b>	<b>3.0</b>	<b>10.1</b>
<b>Operative cash flow</b>	<b>0.1</b>	<b>1.1</b>	<b>4.2</b>
<b>Financing activities</b>			
Decrease (-) in loans	-	-1.1	-4.5
<b>Cash flow from financing activities</b>	<b>-</b>	<b>-1.1</b>	<b>-4.5</b>
<b>Cash flow for the period</b>	<b>0.1</b>	<b>0.0</b>	<b>-0.3</b>
Cash and cash equivalents at beginning of period	0.0	0.3	0.3
<b>Cash and cash equivalents at end of period</b>	<b>0.1</b>	<b>0.3</b>	<b>0.0</b>

### Relevant Reconciliation of Non-IFRS-based Key Financial Indicators Group

#### Alternative key financial indicators

In addition to key financial indicators compiled in accordance with IFRS, Image Systems presents key financial indicators not defined according to IFRS, such as EBITDA and Net liabilities.

These alternative key financial indicators are considered to be important indicators of result and performance for investors and other users of the interim report. These alternative key financial indicators should be seen as complements to, but not as substitutes for the financial information prepared in accordance with IFRS.

Image Systems' definitions of these measurements not defined in accordance with IFRS are described on page 9 under the heading Definitions.

These terms may be defined differently by other companies and are therefore not always comparable with similar measurements used by other companies.

#### EBITDA

Image Systems is of the opinion that EBITDA is a relevant measurement for investors in order to be able to understand the generation of results before investment in tangible and intangible non-current assets.

#### Net liabilities

Image Systems is of the opinion that Net liabilities is a relevant measurement for investors in order to understand the Group's liability structure.

### Operating result before depreciation, amortisation and interest EBITDA

<b>MSEK</b>	<b>Jan-Mar 2017</b>	<b>Jan-Mar 2016</b>	<b>Full year 2016</b>
Operating result	3.9	-4.2	-5.0
Depreciation and amortisation of and impairment charges against tangible and intangible non-current assets	1.6	1.6	6.4
<b>Operating profit before depreciation, amortisation and interest EBITDA</b>	<b>5.5</b>	<b>-2.6</b>	<b>1.4</b>

#### Net liabilities

<b>MSEK</b>	<b>31 Mar 2017</b>	<b>31 Dec 2016</b>
Cash and cash equivalents	0.9	1.1
Interest-bearing liabilities	7.4	8.7
<b>Net liabilities</b>	<b>6.5</b>	<b>7.6</b>