

**Q3**JANUARY –  
SEPTEMBER  
2018

# Interim Report

## Image Systems AB (publ)

JANUARY – SEPTEMBER 2018

### Earnings improve in Motion Analysis Successful acquisition of RemaSawco Oy

#### Third quarter 2018

- Revenue amounted to MSEK 46.3 (29.7).
- The operating result before depreciation and amortisation EBITDA and acquisition costs amounted to MSEK 5.6 (2.6).
- The operating result amounted to MSEK 2.2 (0.7).
- Profit after taxes amounted to MSEK 0.4 (0.5).
- Earnings per share amounted to SEK 0.01 (0.01).
- Order bookings amounted to MSEK 27.8 (28.2).
- The order backlog was MSEK 40.8 (43.4).
- The gross margin was 63 (65) percent.

#### January – september 2018

- Revenue amounted to MSEK 112.6 (90.3).
- The operating result before depreciation and amortisation EBITDA and acquisition costs amounted to MSEK 8.4 (1.5).
- The operating result before depreciation and amortisation EBITDA amounted to MSEK 6.6 (1.5).
- The operating result amounted to MSEK –0.8 (–4.0).
- The result after taxes amounted to MSEK –4.1 (–4.4).
- Earnings per share amounted to SEK –0.11 (–0.12).
- Order bookings amounted to MSEK 88.3 (100.8).
- The order backlog was MSEK 40,8 (43,4).
- The gross margin was 66 (65) percent.

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

- Decision to float a rights issue in the approximate amount of MSEK 66.3.

#### *President's statement*

Image Systems had an overall good third quarter. Performance by Motion Analysis and newly acquired RemaSawco OY stands out. The operating result EBITDA more than doubled to MSEK 5.6 (2.6). The acquired Finnish company Limab Oy, now RemaSawco Oy, contributed with a positive net effect in business area RemaSawco and the company is growing in accordance with expectations. Weak order bookings in the Swedish operations of business area RemaSawco continued during the period. Business area Motion Analysis had a very strong quarter, increasing profit as well as profit. The strategy of increasing business that includes hardware as well as software has proven to be successful, accounting for most of the improvement during the period. Motion Analysis got a large development order for the TrackEye software in the United States. This order will secure the company's dominance in high-speed analysis at military testing facilities for several years. This will augment the Company's ability to continue on the path with development for new applications and systems for improved and broader growth.

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 two areas RemaSawco and Motion Analysis. Image Systems has 93 employees at offices in Linköping, Nyköping, Västerås and Sundsvall, as well as in Finland and Norway. In business 2017 consolidated revenue amounted to MSEK 134. The Company's share is listed on Nasdaq Stockholm Stock Exchange Small Cap list and is traded under the symbol IS. For additional information, visit our website [www.imagesystemsgroup.se](http://www.imagesystemsgroup.se)

### Development during the third quarter

#### *RemaSawco*

Order bookings continued to be weak in RemaSawco's Swedish operations. Swedish sawmills have thus far failed to place new orders during the prevailing economic boom. Deliveries to customers continued at a high level during the period. Development in the Finnish operations was very strong, with a large number of project deliveries.

Co-ordination of the businesses is beginning to yield results and major potential for earnings improvements has been identified. These are expected to be manifested during coming quarters. At the Wood Products & Technology exhibition in September RemaSawco focused on presenting the Digital Sawmill and introducing RemaSawco OY's X-Ray on the Swedish market. It was well received by the customers.

#### *Motion Analysis*

Motion Analysis had a very strong quarter with increased order bookings, increased revenue and improved results. Two major orders were received for TrackEye, from Raytheon in Australia with an order value of MSEK 2.3 and a supplementary order in the amount of MSEK 0.7, as well as an order from Photo-Sonics, Inc., USA, in the amount of MSEK 4.8. Significant orders were also received for the newly developed DIC system.

### Net revenue and result

#### *Third quarter*

Order bookings amounted to MSEK 27.8 (28.2) and order bookings amounted to MSEK 40.8 as of 30 September (43.4). Net revenue increased by MSEK 16.6, of which RemaSawco OY contributed MSEK 21.4, to MSEK 46.3 (29.7).

The gross margin was 63 (65) percent. The lower gross margin is due to increased sales of products with a higher proportion of purchased software. The operating profit before depreciation and amortisation EBITDA amounted to MSEK 5.6 (2.6). Depreciation according to plan was charged to earnings in an amount of MSEK 3.4 (1.9), of which amortisation of consolidation surpluses, such as trademarks and customer relationships amounted to MSEK 2.6 (1.6). Net finance items was lower by MSEK 0.4, amounting to MSEK -0.6 (-0.2), due to increased borrowing costs relating to the acquisition of RemaSawco OY. Tax expenses amounted to MSEK -1.2 (-) and refers mainly to the Finnish business. Profit after taxes amounted to MSEK 0.4 (0.5). Revenue and operating results by business area is reported on page 6.

#### *January – september 2018*

Order bookings amounted to MSEK 88.3 (100.8). The lower order bookings are entirely due to lower order bookings in RemaSawco AB. The order backlog as of 30 September stood at MSEK 40.8 (43.4). Net revenue amounted to MSEK 112.6 (90.3). The increase is entirely due to the acquisition of RemaSawco OY. The gross margin was 66 (65) percent and profit before depreciation and amortisation, EBITDA, and acquisition costs amounted to MSEK 8.4 (1.5). Acquisition costs in the amount of MSEK 1.8 are reported under the heading Other operating costs. Depreciation according to plan was charged to earnings in an amount of MSEK 7.4 (5.5), of which amortisation of consolidation surpluses amounted to MSEK 5.8 (4.7). Net finance items was lower by MSEK 0.9 to MSEK -1.3 (-0.4), due to increased borrowing costs relating to the acquisition of RemaSawco OY. Tax expenses amounted to MSEK -2.0 (0.0).

The result after taxes amounted to MSEK -4.1 (-4.4). Revenue and operating results by business area is reported on page 6.

#### *Capital expenditures and financial position*

The Group's investments in non-current assets amounted to MSEK 42.2 (4.8), of which MSEK 38.0 refers to the acquisition of Limab OY. MSEK 0.3 (0.3) refers to the final supplementary purchase money for RemaSawco Norge, investments in equipment in the amount of MSEK 0.3 (0.5) and MSEK 3.6 (4.0) refers to capitalised development costs. As of 30 September 2018 available cash and cash equivalents, including the unutilized portion of a committed credit facility, stood at MSEK 10.9 (6.7). The equity ratio as of 30 September 2018 stood at 34 (55) percent. The operative cash flow amounted to MSEK -44.9 (-9.8). The net debt to equity ratio was 0.8 (0.3).

**Research and development****RemaSawco**

During the period under review the Company worked on reviewing, harmonising and integrating the products from RemaSawco OY, (the former Limab OY) and RemaSawco AB. Major focus was placed on X-ray of measuring frames for log handling, where we discern increased demand and great potential. We have also continued to improve and standardise our optimisation software for improved yields form log to board in the sawmills, as well as integrated new and more modern sensors in the Boardscanner. A review of the product portfolio to handle the life cycle of older products in a for the customer convenient way has been initiated. Efforts towards "The Digital Sawmill" continue. Here we see great potential in the use of more modern technology, as well as integration of data from more products in the sawmill.

**Motion Analysis**

Research and development efforts were mainly focused on further development of the existing products TEMA and TrackEye during the year, and to lay the foundation for the new technology platform. An important example of improvement of existing products is the new support for image analysis and measurement in streaming video. This technology involves ability to analyse image sequences in close to real time, directly from the cameras, in a flash after an actual event. This important step in the product development will enhance several of our core products in goal follow-up, as well as those in deformation analysis through Digital Image Correlation (DIC). The first products in this new technology platform have seen the light of day. The results of the customer-financed development projects were delivered to customers during the first half of 2018. This has added experience as well as new components important to the continued development.

**ParentCompany**

The Parent Company's net revenue amounted to MSEK 2.7 (2.0) and the result after taxes amounted to MSEK -5.4 (-4.3). Investments in non-current assets amounted to MSEK 66.0 (0.0), in entirety relating to the acquisition of all shares outstanding in Limab Oy. The acquisition was financed with a short-term loan that falls due on 29 March 2019 and seller notes. The loans are secured by pledging shares in subsidiaries. The Parent Company's equity amounted to MSEK 50.9 as of 30 September 2018 (50.5) and the equity ratio was 38 (68) percent.

**Personnel**

The average number of employees was 79 (68). The number of employees at the end of the period was 88.

**Warrants**

The 2018 Annual General Meeting approved an incentive programme consisting of 2,000,000 warrants due 1 December 2021 with a redemption price of SEK 4.67. The price for the warrants has been set at SEK 0.12 per warrant.

1,775,000 warrants have been subscribed for by members of senior management and 225,000 warrants have been set aside for future use.

**Antalet aktier**

Antalet aktier uppgår den 30 september 2018 till 38 231 922 st.

**Number of shares outstanding**

Image Systems has raised a loan in the amount of MSEK 8 from the Company's largest shareholders. The loan matures on 30 December 2018 on market terms. Repayment will be effected in the form of set-off in the rights issue resolved.

**Annual General Meeting**

The Annual General Meeting will be held at 2:00 p.m., 7 May 2019, on the Company's premises at Snickaregatan 40 in Linköping.

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

In accordance with the authorisation of the Annual General Meeting the Board of Directors have decided to carry out a rights issue in the approximate amount of MSEK 66.3, 100 percent secured by subscription commitments and underwriting guarantees.

**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. Information pursuant to IAS 34 Interim Financial Reporting is provided in notes as well as elsewhere in the Interim Report.

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 the accounting policies and calculation methods are the same as those applied in the 2016 Annual Report. The introduction of IFRS 9 as of 1 January 2018 had no significant effect on the Company's financial reports. The Company has not yet analysed the effects of IFRS 16

In the opinion of the Company, the introduction of IFRS 16 will have no significant impact on the Company's key financial indicators. The interim report for the Parent Company, Image Systems AB, is compiled in accordance with the Swedish Annual Accounts Act and RFR 2 Accounting for legal entities of the Swedish Financial Reporting Board.

Image Systems applies ESMA's (European Securities and Markets Authority) guidelines for alternative key financial indicators. Definitions of key financial indicators are found on page 8 and relevant reconciliations are found on page 11.

**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 2017. An added risk during 2018 is the acquisition of Limab OY in Finland. No other significant new or changed risks were identified during the quarter.

*Linköping, 26 October 2018*

*Johan Friberg  
President*

**Reporting schedule:**

Year-end Report 2018	8 February 2019
Annual Report 2018	April 2019
Interim Report January-March 2019	7 May 2019
Annual General Meeting 2018	7 May 2019

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 8:00 a.m. (CET), 26 October 2018.

The interim reports will be available to the public at the Company's website <http://www.imagesystemsgroup.se>

**Questions will be answered by:**

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Image Systems AB, Snickaregatan 40, 582 26 Linköping. Organisationsnummer 556319-4041.

## Review Report

Image Systems AB (publ), Corporate ID number 556319-4041

### Introduction

We have reviewed the summary financial interim information (Interim Report) of Image Systems AB (publ) as of 30 September 2018 and the nine-month period ending on that date. The Board of Directors and the President is responsible for the preparation and fair presentation of this Interim Report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this Interim Report based on our review.

### Scope of the review

We have conducted our review in accordance with International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion expressed based on our review does therefore not have not have the certainty that a conclusion expressed based on an audit has.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe the Interim Report in all material respects is not prepared for the group in accordance with IAS 34 and the Swedish Annual Accounts Act and for the parent company in accordance with the Swedish Annual Accounts Act.

Stockholm, 26 October 2018  
PricewaterhouseCoopers AB

Nicklas Kullberg

## Summary Consolidated Income Statements

MSEK	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Full year 2017
Net sales	46,3	29,2	109,2	88,1	126,2
Capitalised development costs	0,0	0,5	3,4	2,2	7,4
<b>Total revenue</b>	<b>46,3</b>	<b>29,7</b>	<b>112,6</b>	<b>90,3</b>	<b>133,6</b>
Raw materials and supplies	-17,0	-10,5	-38,8	-31,7	-47,7
Other external costs	-6,9	-4,6	-17,2	-14,9	-19,4
Personnel costs	-16,7	-11,8	-48,4	-41,8	-57,7
Depreciation and amortisation of and impairment charges against tangible non-current assets	-3,4	-1,9	-7,4	-5,5	-7,4
Other operating income	-0,1	-	0,2	-	-
Other operating costs	-	-0,2	-1,8	-0,4	-0,3
<b>Operating result</b>	<b>2,2</b>	<b>0,7</b>	<b>-0,8</b>	<b>-4,0</b>	<b>1,1</b>
Net finance items	-0,6	-0,2	-1,3	-0,4	-0,8
<b>Result before taxes</b>	<b>1,6</b>	<b>0,5</b>	<b>-2,1</b>	<b>-4,4</b>	<b>0,3</b>
Taxes	-1,2	-	-2,0	-	11,4
<b>Result for the period</b>	<b>0,4</b>	<b>0,5</b>	<b>-4,1</b>	<b>-4,4</b>	<b>11,7</b>
Of which attributable to the Parent Company's equity holders	0,4	0,5	-4,1	-4,4	11,7
Earnings per share1)	0,01	0,01	-0,11	-0,12	0,31
Earnings per share after dilution1)	0,01	0,01	-0,11	-0,12	0,31
Average number of shares outstanding	38 231 922	38 231 922	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	38 231 922	38 231 922

## Consolidated Report of Comprehensive Result

Result for the period	0,4	0,5	-4,1	-4,4	11,7
<b>Other comprehensive result</b>					
Translation differences	-0,9	0,0	-0,1	0,3	0,2
Taxes related to other comprehensive result	-	-	-	-	-
<b>Total other comprehensive result</b>	<b>-0,9</b>	<b>0,0</b>	<b>-0,1</b>	<b>0,3</b>	<b>0,2</b>
<b>TOTAL COMPREHENSIVE RESULT FOR THE PERIOD</b>	<b>-0,5</b>	<b>0,5</b>	<b>-4,2</b>	<b>-4,1</b>	<b>11,9</b>
Of which attributable to the Parent Company's equity holders	-0,5	0,5	-4,2	-4,1	11,9

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

Group	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Full year 2017
<b>Revenue by segment (business area)</b>					
RemaSawco	38,2	23,2	92,6	71,9	107,0
Motion Analysis	8,1	6,5	20,0	18,4	26,6
Consolidation items and Parent Company	-	-	-	-	-
<b>Total</b>	<b>46,3</b>	<b>29,7</b>	<b>112,6</b>	<b>90,3</b>	<b>133,6</b>
<b>EBITDA</b>					
RemaSawco	4,6	1,5	7,3	1,2	5,6
Motion Analysis	2,7	2,3	5,6	4,4	8,0
Consolidation items and Parent Company	-1,7	-1,2	-4,5	-4,1	-5,1
<b>EBITDA total</b>	<b>5,6</b>	<b>2,6</b>	<b>8,4</b>	<b>1,5</b>	<b>8,5</b>
<b>Acquisition costs</b>	<b>-</b>	<b>-</b>	<b>-1,8</b>	<b>-</b>	<b>-</b>
Depreciation and amortisation of and impairment charges against tangible and intangible non-current assets	-3,4	-1,9	-7,4	-5,5	-7,4
<b>Operating result</b>	<b>2,2</b>	<b>0,7</b>	<b>-0,8</b>	<b>-4,0</b>	<b>1,1</b>
Net finance items	-0,6	-0,2	-1,3	-0,4	-0,8
<b>Result before taxes</b>	<b>1,6</b>	<b>0,5</b>	<b>-2,1</b>	<b>-4,4</b>	<b>0,3</b>
Taxes	-1,2	-	-2,0	-	11,4
<b>Result for the period</b>	<b>0,4</b>	<b>0,5</b>	<b>-4,1</b>	<b>-4,4</b>	<b>11,7</b>

## Summary Consolidated Balance Sheets

<b>MSEK</b>	<b>30 Sep 2018</b>	<b>30 Sep 2017</b>	<b>31 Dec 2017</b>
<b>Non-current assets</b>			
Goodwill	32.5	10.5	10.5
Customer relationships	54.7	16.4	15.4
Trademarks	6.6	8.6	8.1
Capitalised development expenses	21.4	11.2	14.4
Tangible non-current assets	3.5	0.9	0.8
Deferred tax asset	10.6	-	11.4
<b>Total non-current assets</b>	<b>129.3</b>	<b>47.6</b>	<b>60.6</b>
<b>Current assets</b>			
Inventories	10.5	7.7	7.3
Trade receivables	33.9	21.1	20.1
Other short-term receivables	18.0	20.3	22.0
Cash and cash equivalents	10.9	6.7	0.9
<b>Total current assets</b>	<b>73.3</b>	<b>55.8</b>	<b>50.3</b>
<b>TOTAL ASSETS</b>	<b>202.6</b>	<b>103.4</b>	<b>110.9</b>
<b>Equity</b> (attributable in its entirety to the Parent Company's equity holders)	<b>69.5</b>	<b>57.7</b>	<b>73.7</b>
<b>Long-term liabilities</b>			
Provisions relating to contingent purchase money	10.3		
Deferred tax liabilities	8.5	-	-
<b>Total long-term liabilities</b>	<b>18.8</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>			
Loans from credit institutions	63.9	24.1	9.1
Provisions relating to contingent purchase money	11.3	-	-
Trade payables	7.7	9.5	8.1
Other current liabilities	31.4	12.1	20.0
<b>Total current liabilities</b>	<b>114.3</b>	<b>45.7</b>	<b>37.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>202.6</b>	<b>103.4</b>	<b>110.9</b>

## Summary Report of Changes in Consolidated Equity

	<b>30 Sep 2018</b>	<b>30 Sep 2017</b>	<b>Full year 2017</b>
Opening equity according to the balance sheet	73.7	61.8	61.8
Result for the period	-4.1	-4.4	11.7
Other comprehensive result for the period	-0.1	0.3	0.2
<b>Total comprehensive result for the period</b>	<b>-4.2</b>	<b>-4.1</b>	<b>11.9</b>
Closing equity according to the balance sheet	<b>69,5</b>	<b>57,7</b>	<b>73,7</b>

## Summary Consolidated Cash Flow Statements

<b>MSEK</b>	<b>Jul-Sep 2018</b>	<b>Jul-Sep 2017</b>	<b>Jan-Sep 2018</b>	<b>Jan-Sep 2017</b>	<b>Full year 2017</b>
<b>Cash flow from operating activities before changes in working capital</b>	<b>2.7</b>	<b>2.7</b>	<b>4.0</b>	<b>1.6</b>	<b>7.9</b>
<b>Changes in working capital</b>					
Increase (-) / Decrease (+) in inventories	1.8	-0.1	1.6	1.2	1.6
Increase (-) / Decrease (+) in receivables	13.4	-1.5	9.5	9.5	9.0
Increase (+) / Decrease (-) in current liabilities	-26.5	-8.3	-17.8	-17.3	-10.9
<b>Total change in working capital</b>	<b>-11.3</b>	<b>-9.9</b>	<b>-6.7</b>	<b>-6.6</b>	<b>-0.3</b>
<b>Cash flow from operating activities</b>	<b>-8.6</b>	<b>-7.2</b>	<b>-2.7</b>	<b>-5.0</b>	<b>7.6</b>
<b>Investment activities</b>					
Acquisition of Group companies	-0.3	-	-38.3	-0.3	-0.3
Acquisition of intangible non-current assets	-0.2	-1.0	-3.6	-4.0	-7.4
Acquisition of tangible non-current assets	-0.1	-	-0.3	-0.5	-0.5
<b>Cash flow from investment activities</b>	<b>-0.6</b>	<b>-1.0</b>	<b>-42.2</b>	<b>-4.8</b>	<b>-8.2</b>
<b>Operative cash flow</b>	<b>-9.2</b>	<b>-8.2</b>	<b>-44.9</b>	<b>-9.8</b>	<b>-0.6</b>
<b>Financing activities</b>					
Increase (+) in loans	12.9	14.0	54.8	15.4	16.7
Decrease (-) in loans	-	-	-	-	-16.3
<b>Cash flow from financing activities</b>	<b>12.9</b>	<b>14.0</b>	<b>54.8</b>	<b>15.4</b>	<b>0.4</b>
<b>Cash flow for the period</b>	<b>3.7</b>	<b>5.8</b>	<b>9.9</b>	<b>5.6</b>	<b>-0.2</b>
Cash and cash equivalents at beginning of period	7.2	0.9	0.9	1.1	1.1
<u>Translation difference in</u>					
<u>Cash and cash equivalents</u>	0.0	0.0	0.1	0.0	0.0
<b>Cash and cash equivalents at end of period</b>	<b>10.9</b>	<b>6.7</b>	<b>10.9</b>	<b>6.7</b>	<b>0.9</b>



## Key Financial Indicators

Group	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Full year 2017
Order bookings, MSEK	27.8	28.2	88.3	100.8	136.1
Order backlog, MSEK	40.8	43.4	40.8	43.4	36.9
Gross margin, %	63	65	66	65	64
Operating margin, %	4.8	2.4	neg	neg	0.8
Profit margin, %	0.1	1.7	neg	neg	0.2
Return on capital employed, %	1.8	0.9	neg	neg	1.4
Return on equity, %	0.6	0.9	neg	neg	17.3
Equity ratio, %	34	56	34	55	67
Debt equity ratio	0.8	0.3	0.8	0.3	0.1
Net investments in non-current assets, MSEK	0.6	1.0	42.2	4.8	8.2
Depreciation and impairment of non-current assets, MSEK	3.4	1.9	7.4	5.5	7.4
Average number of employees	85	69	79	68	68
Number of shares outstanding at end of period, million	38.23	38.23	38.23	38.23	38.23
Average number of shares outstanding, million	38.23	38.23	38.23	38.23	38.23
Earnings per share <sup>1)</sup> , SEK	0.01	0.01	-0.11	-0.12	0.31
Cash flow per share <sup>1)</sup> , SEK	-0.24	-0.22	-1.17	-0.26	-0.02
Equity per share <sup>2)</sup> , SEK	1.82	1.51	1.82	1.1	1.,93

<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	2018				2017				2016	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Order bookings, MSEK	27.8	32.6	27.4	35.3	28.2	41.1	31.5	33.9	30.1	30.7
Revenue, MSEK	46.3	44.0	22.3	43.3	29.7	31.6	29.0	46.0	23.7	34.2
Gross margin, %	63	59	83	63	65	63	67	59	65	65
Operating result before depreciation and amortisation (EBITDA), MSEK	5.6	2.5*	-1.5	7.0	2.6	-1.3	0.2	5.5	-1.7	1.8
Operating result (EBIT), MSEK	2.2	0.4*	-3.4	5.1	0.7	-3.2	-1.5	3.9	-3.3	0.2
Operating margin, %	4.8	0.9	neg	11.8	2.4	neg	neg	8.5	neg	0.6
Return on equity, %	0.6	neg	neg	24.5	0.9	neg	neg	6.7	neg	0.0
Equity ratio, %	34	33	67	67	56	59	62	56	61	62
Earnings per share, SEK	0.01	-0.03	-0.09	0.42	0.01	-0.09	-0.04	0.11	-0.09	0.00
Cash flow per share, SEK	-0.24	-0.87	-0.06	0.24	-0.22	-0.07	0.03	-0.01	-0.01	-0.06
Equity per share, SEK	1.82	1.83	1.84	1.93	1.51	1.50	1.57	1.61	1.50	1.59
Average number of shares outstanding, million	38.23	38.23	38.23	38.23	38.23	38.23	38.23	38.23	38.23	38.23

\*including acquisition costs in the amount of MSEK 1.8.

### 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 investment 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.

**Average number of employees**

Average number of employees during the period.

**Pre--share data**

**Number of shares outstanding at end of period in 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 number of shares outstanding at end of period.

## Summary Parent Company Income Statements

MSEK	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Full year 2017
Revenue	0.9	0.8	2.7	2.0	2.8
Other external costs	-1.1	-0.8	-2.9	-2.5	-3.1
Personnel costs	-1.5	-1.1	-4.3	-3.6	-4.8
Other operating costs	-	-	-	-	-
<b>Operating result</b>	<b>-1.7</b>	<b>-1.1</b>	<b>-4.5</b>	<b>-4.1</b>	<b>-5.1</b>
Net finance items	-0.6	-0.2	-0.9	-0.2	-0.3
<b>Result before taxes</b>	<b>-2.3</b>	<b>-1.3</b>	<b>-5.4</b>	<b>-4.3</b>	<b>-5.4</b>
Year-end appropriations	-	-	-	-	5.0
Taxes	-	-	-	-	1.9
<b>Result for the period</b>	<b>-2.3</b>	<b>-1.3</b>	<b>-5.4</b>	<b>-4.3</b>	<b>1.5</b>

## Summary Report of Parent Company Comprehensive Result

Result for the period	-2.3	-1.3	-5.4	-4.3	1.5
Other comprehensive result	-	-	-	-	-
<b>Total other comprehensive result</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE RESULT FOR THE PERIOD</b>	<b>-2.3</b>	<b>-1.3</b>	<b>-5.4</b>	<b>-4.3</b>	<b>1.5</b>

## Summary Parent Company Balance Sheets

MSEK	30 Sep 2018	30 Sep 2017	31 Dec 2017
<b>Non-current assets</b>			
Shares in subsidiaries	122.1	56.1	56.1
Deferred tax assets	1.9	-	1.9
<b>Total non-current assets</b>	<b>124.0</b>	<b>56.1</b>	<b>58.0</b>
<b>Current assets</b>			
Trade receivables	-	0.4	0.4
Due from Group companies	6.8	7.0	6.7
Other short-term receivables	4.7	5.1	4.9
Cash and cash equivalents	0.0	5.6	0.0
<b>Total current assets</b>	<b>11.5</b>	<b>18.1</b>	<b>12.0</b>
<b>TOTAL ASSETS</b>	<b>135.5</b>	<b>74.2</b>	<b>70.0</b>
<b>Equity</b>	<b>50.9</b>	<b>50.5</b>	<b>56.3</b>
<b>Long-term liabilities</b>			
Provision relating to contingent purchase money	10.3	-	-
<b>Total long-term liabilities</b>	<b>10.3</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>			
Bank loans	49.2	10.0	5.0
Provision relating to contingent purchase money	11.3	-	-
Trade payables	0.3	0.1	0.1
Due to Group companies	11.5	11.6	6.9
Other current liabilities	2.0	2.0	1.7
<b>Total current liabilities</b>	<b>74.3</b>	<b>23.7</b>	<b>13.7</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>135.5</b>	<b>74.2</b>	<b>70.0</b>

## Summary Report of Changes in the Parent Company's Equity

MSEK	30 Sep 2018	30 Sep 2017	31 Dec 2017
Opening equity according to the balance sheet	56.3	54.8	54.8
Result for the period	-5.4	-4.3	1.5
Other comprehensive result for the period	-	-	-
<b>Total Comprehensive Result</b>	<b>-5.4</b>	<b>-4.3</b>	<b>1.5</b>

## Summary Parent Company Cash Flow Statements

MSEK	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Full year 2017
<b>Cash flow from operating activities before changes in working capital</b>	<b>-2.5</b>	<b>-1.3</b>	<b>-5.6</b>	<b>-4.3</b>	<b>-0.4</b>
<b>Changes in working capital</b>					
Increase (-) / Decrease (+) in receivables	1.0	0.7	0.3	0.3	0.5
Decrease (-) in current liabilities	-2.0	-0.5	0.6	-1.4	-1.7
<b>Total changes in working capital</b>	<b>-1.0</b>	<b>0.2</b>	<b>0.9</b>	<b>-1.1</b>	<b>-1.2</b>
<b>Cash flow from operating activities</b>	<b>-3.5</b>	<b>-1.1</b>	<b>-4.7</b>	<b>-5.4</b>	<b>-1.6</b>
<b>Investment activities</b>					
Acquisition of subsidiary	-0.4	-	-44.1	-	-
Loans from (+) to (-) subsidiaries	-4.2	-3.3	4.6	1.0	-3.4
<b>Cash flow from investment activities</b>	<b>-4.6</b>	<b>-3.3</b>	<b>-39.5</b>	<b>1.0</b>	<b>-3.4</b>
<b>Operative cash flow</b>	<b>-8.1</b>	<b>-4.4</b>	<b>-44.2</b>	<b>-4.4</b>	<b>-5.0</b>
<b>Financing activities</b>					
Increase (+) in loans	8.0	10.0	44.2	10.0	10.0
Decrease (-) in loans	-	-	-	-	-5.0
<b>Cash flow from financing activities</b>	<b>8.0</b>	<b>10.0</b>	<b>44.2</b>	<b>10.0</b>	<b>5.0</b>
<b>Cash flow for the period</b>	<b>-0.1</b>	<b>5.6</b>	<b>0.0</b>	<b>5.6</b>	<b>0.0</b>
Cash and cash equivalents at beginning of period	0.1	0.0	0.0	0.0	0.0
<b>Cash and cash equivalents at end of period</b>	<b>0.0</b>	<b>5.6</b>	<b>0.0</b>	<b>5.6</b>	<b>0.0</b>

## Relevant reconciliations with non-IFRS-based key financial indicators Group

### Alternative key financial indicators

In addition to the financial indicators compiled in accordance with IFRS, Image Systems presents key financial indicators not defined by IFRS, such as for example EBITDA, Net liabilities.

These alternative a key ratios are considered to be important result and performance indications for investors and other users of the interim report. The alternative key ratios should be regarded as a complement, but not a replacement for, the financial information compiled in accordance with IFRS.

Image Systems' definitions of these measures not defined by IFRS are described on page 9 under the heading Definitions. These terms can be defined in other ways by other companies and are therefore not always comparable to similar metrics used by other companies.

### EBITDA

Image Systems is of the opinion that EBITDA is a relevant metric for investors to understand the earnings generation before investment in tangible and intangible non-current assets.

### Net liabilities

Image Systems is of the opinion that Net liabilities is a relevant metric for investors to understand the Group's indebtedness.

## Operating result before depreciation, amortisation and interest EBITDA

MSEK	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Full year 2017
Operating result	2.2	0.7	-0.8	-4.0	1.1
Depreciation and amortisation of and impairment charges against tangible and intangible non-current assets	3.4	1.9	7.4	5.5	7.4
<b>Operating result before depreciation and amortisation EBITDA</b>	<b>5.6</b>	<b>2.6</b>	<b>6.6</b>	<b>1.5</b>	<b>8.5</b>

### Net liabilities

MSEK	30 Sep 2018	30 Sep 2017	31 Dec 2017
Cash and cash equivalents	10.9	6.7	0.9
Provision relating to contingent purchase money	21.6	-	-
Interest-bearing liabilities	63.9	24.1	9.1
<b>Net liabilities</b>	<b>74.6</b>	<b>17.4</b>	<b>8.2</b>

## Acquisition of RemaSawco OY

Image Systems has acquired all shares outstanding in Limab Oy, changing its name to RemaSawco OY, active in touch-free measurement system for the sawmill industry. The company was acquired on a debt-free basis for total purchase money of MEUR 6.1 (approximately MSEK 62.5), of which the initial purchase money amounted to MEUR 4.0 (approximately MSEK 41.0 MSEK). Contingent purchase money will be paid over a two-year period provided Limab Oy's current shareholders remain as employees of the company. The acquisition was financed with a bank loan in the amount of MDSEK 41.5 and a contingent seller's note in the amount of MEUR 2.1, equivalent to approximately MSEK 21.5.

The acquired company's competence in advanced measuring technology, especially in the area of x-ray, as well as a strong market presence in Finland, the Baltic States and Russia, means that the new group will have a stronger offer in several customer and market segments. The transaction is industrially justified and is expected to bring synergies on terms of revenue as well as costs. The acquisition therefore creates improved opportunities for growth of the Group.

The acquisition is consolidated as of June 1 2018. Analysis of the acquired assets are preliminary and may be subject to change. Intangible assets have been valued with separation of goodwill. Any remaining goodwill value will be attributable primarily to synergies and other intangible assets that do not meet the requirements for separate recognition. The acquisition analysis for RemaSawco Oy indicates that goodwill amounts to MSEK 22.0. Identifiable customer relationships have been valued at MSEK 43.7. Deferred taxes in the amount of MSEK 8.7 are reported relating to assets reported separately as goodwill. No part of the goodwill incurred in connection with the acquisition is expected to be tax deductible. The period of depreciation for the intangible non-current asset customer relationships is 10 years.

### Fair value of acquired assets and assumed liabilities

MSEK	Acquisition of RemaSawco OY
Intangible non-current assets	48.0
Other non-current assets	0.8
<b>Total non-current assets</b>	<b>48.8</b>
Total current assets	30.7
<b>Total assets</b>	<b>79.5</b>
Total long-term liabilities	8.7
Total current liabilities	27.1
<b>Total liabilities</b>	<b>35.8</b>
<b>Fair value of acquired assets and assumed liabilities</b>	<b>43.7</b>
Goodwill	22.0
<b>Total purchase money</b>	<b>65.7</b>
Less cash and cash equivalents in the acquired company	-5.8
Adjustment for additional purchase money not yet paid	-21.9
<b>Cash flow from acquisition of subsidiary</b>	<b>38.0</b>